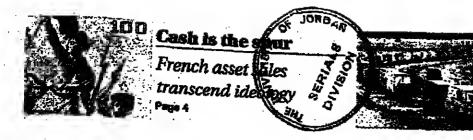
The lent to Big.



EC haulage policy

Who wins and loses on the open road





Power for Europe

Trembling giants forced to compete

Japan still

competitive

nation, but

**US** closing

By Frances Williams in Geneva

JAPAN remains the world's most

competitive nation but no longer

outperforms its trading partners

across the board, according to an

international survey published

Japan's duminance among

nations in the Organisation for Co-operation and Development is

the most

# FINANCIAL TIMES

Europe's Business Newspaper

### Bosnia leader pressed on latest peace proposals

Bosnian president Alija Izetbegovic (left) is under pressure from the European Community and from other members of the joint Bosnian presidency



to adopt a less hostile attitude to the latest proposals for Bosnia's future political framework. Bosnia's collective presidency, which includes Serbs and Croats as well as Moslems, was reported to have postponed scheduled talks in Zagreb with Izetbegovic as signs of a split emerged which could threaten his position as

Meanwhile, Izetbegovic's appeal to the European Community to lift the arms embargo against his country received little encouragement. Page

Hopes grow for German rate cuts: The rate of growth in German money supply slowed in May, encouraging hopes that the Bundesbank may shortly resume its cautious programme of interest rate cuts. Page 2

Pechiney, the French state-controlled aluminium and packaging group which is a candidate for privatisation, may have to wait for an improvement in the metals market before it can be sold. Page 23; Deficit, not ideology, drives French sell-off,

Call for German law on takeovers: Rolf Breuer, the board director responsible for Deutsche Bank's securities activities and chairman of the German stock exchange, called for a law to regulate takeovers and mergers in Germany, Page 23

**British Steel** attacked state subsidies for its Spanish and Italian rivals and urged the European Commission to press ahead with restructuring plans, as the company reported an annual pre-tax loss of £149m (\$223m). Page 23; Lex, Page 22

Hungary upset by EC dumping: Unfair dumping of western grain and meat in Russia and the Ukraine is said to be crowding out exports from Hungary, Poland, Romania and Bulgaria.

Chinese in Gulf trade tour: Li Langing, a Chinese vice-premier, has begun a tour of the Guif region at the head of a delegation aimed more than \$2bn. Page 6

Bradford & Bingley, the seventh largest British huilding society, is seeking to become the first non-German institution to establish a German huilding society. Page 24

Islamic bank \$41m donations: The Islamic Development Bank agreed to finance \$40m in foreign trade credits for Pakistan and Morocco and to donate \$1m to Somalia for educational

Scharping to challenge Kohi: German opposition leader Rudolf Scharping said he would challenge Chancellor Helmut Kohl in elections next year after his last rival in the Social Demo-

cratic party pulled out of the race. israel coalition under threat: A corruption scandal in the Israeli cabinet threatens the country's fragile ruling coalition and could harm the peace talks with Palestinians and the country's

Arab neighbours. Page 4 Zinc producers discuss cuts: Desperate European zinc producers are hoping to implement a co-ordinated industry scheme where one or two of them will permanently close smelting capacity and the rest of the EC industry will

provide cash to cover the closure costs. Page 32 US policy on Haiti refugees upheid: The US Supreme Court upheid the policy of successive US administrations authorising the forcible return of would-be refugees from Haiti intercepted on the high seas. Page 6

Imports revive EC worries over deficit: Import volumes from countries outside the European Community rose sharply at an underlying level last month, reviving worries that the trade deficit might worsen in the later stages of a recov-

Shuttle launches: The US space shuttle Endeavour hlasted off from Florida on a mission to retrieve a European science satellite and conduct experiments in a privately owned cargo bay on its maiden flight.

THE PERSON AND PROPERTY INC.

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Leaders in Copenhagen disagree on deregulation of labour markets EC wants new plan for jobs

By Lionel Barber, David Gardner and Philip Stephens

EUROPEAN Community leaders last night drafted a broad strategy for dealing with the unemplnyment crisis in the EC, provid-ing a mandate for Mr Jacques Delors to produce an action plan by the end of the year.

But at a summit in Copenhagen dominated by the worsen-ing economic outlook and a widespread feeling that high German interest rates are prolonging the recession, EC leaders could do little to disguise their differences on how to revive growth and

Mr John Major, the UK prime minister, called for a fundamental rethink of the Community's approach to job creation, stressing the need for more liberalised lahour markets, lower social costs for husiness and tighter Warning that Europe's compet-ltiveness had been dangerously ernded. Mr Major repeated his view that the social chapter inthe Maastricht treaty would amount to a "job destruction programme". He said: "Our total labour costs are too high. Our employment markets are too rigid. And our labour force is not adaptable and mobile".

European Commission, conceded that Europe had fallen far behind the US and Japan in its ability to create johs, But he rejected moves to dismantle Europe's social welfare system in favour of a more deregulated labour market along US lines.

ness in large urban areas."

Mr Delors, president of the

Mr Niels Helvig Petersen, foreign minister of Denmark which holds the EC presidency until the end of June, said the US model produced "very severe defects in the economy", as well as social problems, crime and hopelessPage 2

■ Commitment to eastwards expansion expected

M Delors makes a hit by aiming lower

UK warning on rising

interest grows in stability

But Mr Felipe González, Spain's Socialist prime minister, whn just narrowly secured reelection against strong conservative opposition, came nut in favour of deregulation of labour markets, "The recession is colliding with great rigidity in the labour market; we have to get greater labour mobility," he said, calling for more opportunity for part-time work.

Mr González's remarks underlined how Europe's jobs crisis is

encouraging fresh thinking. "All put forward several new meathe leaders see they are in trou-ble," said a Dutch diplomat, "this is important because it is the start of the debate".

Although most EC leaders indicated they would give Mr Delors a mandate to produce a white paper on unemployment by the end of the year, chancellor Heimut Kohl of Germany argued that the Twelve could not wait until the next EC summit in December in Brussels. He called on national governments to come forward with ideas within four to

The UK, Spain, France and Italy, among others, called for a co-ordinated drop in interest rates, a move which diplomats interpreted as pressure on the Bundeshank to cut its market rates. Mr Delors said the size of the cut was not as important as the timing. "We are in a hole", said an aide, "a cut in interest

rates is urgent". Mr Delors also

sures in produce short-term relief for the unemployed.

These include an extra Ecu3bn (\$3.53bn) extension to the temporary lending facility already provided by the European Invest-

This would be in addition to the Ecu5bn agreed at the Edin-hurgh summit. Under the proposals, the EIB would provide an interest rate subsidy of up to 3 percentage points, primarily for assisting small and medium-sized husinesses.

The Commission also proposed giving new financial incentives to firms hiring new employees and work sharing. Commission officials were confident these would be supported, but it was less clear that they would support a Commission plan to provide an Ecu5hn Community hridging loan for spending on roads and transport in the EC's

still unquestioned, hut the US is again challenging for top spot, the survey shows.

Meanwhile, Germany has been pushed down to fifth place from second last year, as it continues to suffer the political and economic strains of unification The US has regained the second slot from fifth, and Denmark and Switzerland rank third and

fourth, according to the annual competitiveness rankings for 1993 compiled by the International Institute of Management Development and the World Economic Forum, both Swiss based. In Japan, top business figures are less confident than in the

past and there is increasing protectionism. The report nates a growing desire for the political system to be restructured, while the values of ordinary Japanese are no longer "ones which made the economic miracle". While the US has been pulled

up the rankings hy its recent economic recovery, the state of its education system, the huge budget deficit and widespread social problems pose long-term threats to competitiveness, the report

Singapore heads the league table for industrialising economies, followed by Hnng Kong. Taiwan and Malaysia. Chil enters the rankings for the first time in fifth place, ahead of South Korea.

The report rates 38 rich and poor countries according to 370 criteria grouped into eight main factors influencing competitiveness. These cover domestic eco-nomic strength, the openness of the economy, the extent to which government policy creates a supportive husiness environment. and the quality of infrastructure, management, technological

Continued on Page 22 Uncertainty hits markets, Page 4 Japanese chase reform, Page 22



# Car bombs kill seven in Madrid

TWO CAR bombs exploded in the centre of Madrid yesterday, killing seven people and injuring

another 25.

Plain-clothed policemen and first aid personnel are pictured above at the scene of the second bomb, planted near the United States embassy. The attacks bore the hallmarks of the Basque separat-

ist Eta guerrillas. An Interior Ministry spokesman said: "We are not entirely surprised at the attacks. We knew there were Eta terrorists in Madrid but we did not known where and when they would

strike." Since 1968 the Basque group has killed more than 700 people and injured 3,000. Report, Page 22

# Rhône aims to raise \$800m by selling stake in Roussel

By Alice Rewsthom in Peris and Paul Abrahams in London

RHONE-POULENC, the French chemicals group, hopes to raise about FFr4.5bn (\$800m) hy selling its 35 per cent stake in Roussel Uclaf, the drugs company best known as the maker of the controversial abortion pill RU-486. The disposal will be made next month through an open offer on the Paris stock market and an international private placing

The sale will give Hoechst, the German chemicals group, greater control of Roussel, in which it holds a 54.5 per cent stake. Hoechst felt restricted by the stake of Rhône-Poulenc, 43.4 per cent of which is owned hy the French government.

The share sale will enable Rhone-Poulenc to reduce its debt, at present at between FFr33bn and FFr35bn. This will enhance its chances of being chosen as one of the first targets of the new centre-right French government's privatisation programme.
Roussel's share structure will be simplified. After the sale, prefered non-voting shares will be swapped for ordinary voting shares on a three-for-two basis. After the sale, Roussel plans to increase its capital hy FFr1.1hn, in a move that will lift Hoechst's

All sides satisfied ....... Paga 24

holding to 57 per cent. The new shares will pay Hoechst for the transfer of Laboratoires Hoechst, its French phar-maceutical business, to Roussel and for giving the latter a 50 per cent interest in Albert Rousse Pharma, a German marketing company in which it already held 25.1 per cent.

Hoechst plans to make savings eventually of DM250m (\$150m) a year through rationallsing the two groups' administration and

CONTENTS

production facilities. an international book-building exercise, and a public share offer ing on the Paris stock exchange. Roussel's shares were suspended yesterday at FFr575. Early hids for the international offering are being asked at between FFr550 and FFr575. The price will be struck on July 5, while the book-huilding is sched-

uled to close on July 12 when

trading in the shares will resume Barclays de Zoete Wedd is the global co-ordinator. The Paris offering is managed by Banque National de Paris. An international road show starts in Switzerland tomorrow.

Roussel recently reported a rise in comparable profits from FFr656m in 1991 to FFr735m in 1992 on turnover of FFr14.8bn. lt said yesterday that it expected sales to increase by 7 per cent to FFr15.8bn in 1993, with profits before exceptional items rising by 15 per cent to FFr850m.

# ELPower for Europe \_ 13-17

# French rates cut on soft D-Mark Interest rates

By Peter John and James Blitz

FRANCE'S official short term interest rates fell below German levels yesterday for the first time in 26 years, in the strongest indication yet that European central banks are decoupling their monetary policies from the Bundes-

The Bank of France cut its intervention rate, which sets the floor for the country's money market rates, by % of a percent age point, to 7 per cent. This pushed it % of a percentage point below the Bundesbank's discount rate, which serves a similar function in Germany. Yesterday's move raises new

questions about the D-Mark's anchor role in the European exchange rate mechanism. The French cut was made possible by the D-Mark's recent weakness against the franc and other ERM currencies.

Currency investors have become increasingly concerned hy the deterioration in the German economy and the country's growing hudget deficit, and have sold D-Marks for dollars and

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other European currencies. Four other central banks also took advantage of the D-Mark's weakness to trim their key interest rates yesterday. Portugal, the Netherlands, Belgium and Austria all eased monetary policy, in spite of the Bundesbank's determination to keep German interest rates unchanged over the past

> Continued on Page 22 Bonds, Section II Currencies, Section II



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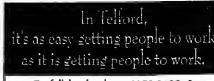
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# FINANCIAL TIMES

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### TAP seeks state cash for survival

TAP-Air Portugal, the state airline, needs a government capital injection of Es80bn-100bn (\$501m-\$626m) by the end of the year if it is to survive, according to Mr Fernando Santos Martins, the company's president. TAP has an accumulated debt of Es70bn, with operating losses of Es27.3bn in 1992 and a similar deficit forecast for 1993.

### Changing direction

Mr Lewis Platt, who replaced Mr John Young as head of Hewlett Packard last July, took over a well-tuned machine in an immediate need of run-ning repairs. However, his sees no cause for complacency. "A company has continually to reinvent itself," he says. At Apple Computer, Mr Michael Spindler, the newly-appointed chief executive, has found that Apple's decline in personal computer profit margins may overshadow his predecessor plans to expand into new businesses. Page 26

### Launch of 'Balladur Bond'

The "Balladur Bond", the French government's new FFr40bn four-year bond issue, is to be launched this Friday, raising funds for the country's economic recovery programme. The bonds, which mature on July 16, 1997, can be converted into the shares in newly-privatised companies. Page 28

### **Mixed reaction to Tesco**

Tesco, the UK supermarket chain, launched a 2200m (\$296m) issue with an unusual partly-paid structure more typically seen in the gilts market. The issue met with a mixed reaction with some dealers saying the structure was a deterrent to some investors. Pags 28

### Alexon shares suspended

Shares in Alexon Group, the UK women's wear retailer, were suspended at the company's request yesterday morning following speculation about the company's refinancing plans. Page 30

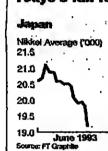
### Carlton looks east

Carlton Communications, the UK broadcasting and television services group is planning to expand into the Asian television market. The company is keen to explore everything from equity stakes in Asian broadcasters to joint ventures on new channels.

### Farm charity targets women

Farm Africa, s UK-based charity, is targeting women in Tanzania to persuade them to adopt more efficient methods of food production, thereby contributing to the wellbeing of children and the whole community. Page 32

### Tokyo's fall felt worldwide



A 4.1 per cent drop in Tokyo last week left the FT-Actuaries World Index down 1.5 per cent in local currency terms. A team at Nomura in London, who called the market upturn last year, is concerned that Tokyo has entered its sec-This could last the remainder of the year and see the Nikkel back below

### **Market Statistics**

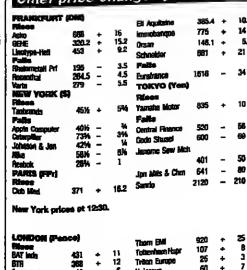
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### Chief price changes yesterday



OTHE FINANCIAL TIMES LIMITED 1993

Tuesday June 22 1993

UK practice.

# Breuer calls for German takeover code

By David Waller in Frankfurt

MR ROLF BREUER, the board director responsible for Deutsche Bank's securities activities, yesterday called for a law to regulate takeovers and mergers in Ger-

Mr Breuer, who is also chairman of the German stock exchange, said that it was nn excuse to say there were relatively few takeovers on the German equity markets.

had no such laws, and he urged Germany's legislators to take the

of takeover rules would encour-It was a failing that Germany

initiative to plug the loophole. Although many senior bankers privately condemn the lack of rules governing takeovers, the financial establishmeot has tended to keep quiet on the issue, reflecting fears that codification

age a practice which is considered anti-social in Germany. Analysts have also suspected that large German financial institutions have benefited from the

absence of rules. They have taken advantage of the fact that It is still possible to acquire cootrol of a company by buying a simple majority of the shares. There are no obligations to extend an offer to all shareholders, as is required under US and

The remarks by a member of the board of Germany's biggest bank, made in the context of a speech about the future developmeot nf "Finanzplatz Deutschland" - Germany as a financial

centre - reflect the German financial establishment's concern to bring regulations for the securities industry up to international standards.

The focus at present is on the passage of legislation currently

before parliament.
This legislation is designed to make insider dealing a criminal offence and to introduce a German equivalent of the Securities & Exchange Commission (SEC), which regulates the US securities

The plan is fur this to be on the statute book to the early part of next year. The absence of such laws was

seen as a failing, especially by foreign investors in the German market, and for that reason the proposed laws should be adopted as soon as possible, Mr Breuer

There are no present plans to introduce a takenver code, although Mr Christian Strenger, head of DWS - s Deutsche Bank affiliate which is Germany's big-

gest fund management company - made an outspoken call for a takeover code in December last year, saying that the absence of such rules discriminated against

ordinary sharebulders. The package of new laws will, bowever, briog disclosure requirements into line with UK and US practice.

At present companies univ have to disclose share stakes wben they reach between 20 and 25 per ceot, in contrast to 3 per

Entertainment group's sale of light fittings division leads to renewed debate about a demerger

The changing shape of Thorn EMI

# A new verse in the ballad of Southgate

IR Colin Southgate, chairman of Thorn EMI, has been singing the same song for so long that be would probably be as grateful as his audience if he could move on to the next

The song, an interminable ballad, is about how be sold many of the family's tarnished treasures - the businesses he inherited from the group's founder Sir Jules Thorn - to devote himself to his real loves; making music and renting out television sets.

The tune some of his followers long to hear is bow be made them richer by splitting the remaioing music and reotals businesses into two companies. Although the sale of Thorn's light fittings division for £162m (\$240m) yesterday could bring that day closer, it is still probably years rather than months away.

Even then, some think Sir Colin should carry on bumming his old tune. The case for demer-ger, they argue, is far from overwhelming. Both of Thorn's principal businesses require further development before they can go their separate ways. It is also uncertain that they would be ings separately than together.

Thorn EMI has sold off more than 60 businesses since 1985, including the television manufacturer Ferguson, the semiconductor producer Inmos, and Kenwood, the kitchen appliance

The decision to concentrate on music and rentals was made in 1990, when Sir Colin announced be was selling the lighting division. After e proposed sale to GTE fell through, the light bufbs and tubes business was sold to

leaves the group with just ooe division, Thorn Security & Electronics, still for sale. Disposing of it would leave the group free to concentrate oo the reotals sector, in which it is the world's leading company, and music, in which li is ooe of the three biggest. It could also theo decide whether there is any sense in the two businesses belonging to the same

Sir Colin does not deny reports that he is talking to the General Electric Company of the UK about the sale of Thorn's defence business, but he points out that this is only one part of the secu-rity and electronics division.

There is also an electronic fire detection and security side. Thorn also has a business which makes credit cards for US banks. Sir Colin says that while he would like to sell all three parts of the security and electronics division, they are unlikely to go the same buyer. Until they have all been sold, which could take a few years, demerger cannot be

Sir Colin wants to see the

music division expanding in the US, where it has a market share of 11-12 per cent, compared with 15 per ceot worldwide, in the reotal business Thorn is still attempting to introduce the concept of reot-to-own in the UK. Unlike hire purchase, this allows renters to change or return appliances they no longer want, but still bolds nut the possibility of ownership after a certain period

Sir Colin does not pretend that

### Main disposals More than 60 businesses sold, including: Ferguson, TV maker (1987) Kenwood, kitchen appliances (1989) Lighting, one of the original businesses (1990) 1992: Prumbelows shops converted to rental outlets 1993: 9 59% stake in Thames Television sold Light fittings Main acquisitions 1967: O Reni-A-Center, US 1989: • SBK music 1992: Virgin Music What's left 9 Rentals HMV music shops Thom Security & Electronics To the second and the second and the second and the second as the second

the same group, Demerger, bowever, can only be considered when the remaining peripheral businesses have gone. He says: "I don't think it's inevitable. The answer can only come wheo we sit down and value the busi-

Analysts are divided about the desirability of a demerger. Mr Mark Finnie of NatWest Securities says: "As long as EMI Music remains part of Thorn EMI it remains undervalued. Demerger could quite conceivably happen

there are any managerial reasons in the next couple of years."

market ratings is difficult. Poly-Gram, the music company with which Thorn EMI is most often compared, is not gooted in Londoo and is 80 per cent owned by Philips of the Netherlands.

But Mr Bruce Jones, of Smith New Court, says that the music industry is not the attraction it was in the late 1980s and early 1990s wheo Sooy of Japan bought CBS, the US record company, and Matsushita bought MCA.

# Thorn EMI sells lighting business to Investcorp

THORN EMI yesterday confirmed the sale of its Thorn Lighting divisioo for £162m (\$243m) to Investcorp, the Bahrain-based international investment bank, in what is effectively a managemeot

Investcorp, which owns stakes in Saks Fifth Avenue and Tiffany in New York, Gucci of Italy and other European and US busioesses, bas asked the Thoro Lighting management to take an initial 3 per cent stake in the

Investcorp management commit-tee, believed Thorn Lighting's "rightful place" was as a quoted company. The investors would be seeking a flotation in the medium

and £16.3m in subordinated loan

The sale leaves Thorn EMI charge. A £44m book profit is more than offset by an £87m goodwill write-off. The charge on this deal will be counter-balanced by a £34m exceptional profit on the sale of its stake in Thames

Televisioo to Pearson.

By Richard Gourlay in London

buy-out.

business.

Mr Philip Buscombe, of the

As with its sale of Kenwood Appliances and Thorn EMI Software to their managements, Thorn EMI will retain a stake in the new Thoro Lighting company. The parent company will receive £137m in cash, a 12 per cent equity stake, worth £8.7m,

But Mr Hamish Bryce, chief

# gaining market share in Germany and France. It would grow

tions with a total acquisition

Investcorp's last sizeable deal

in the UK was the purchase of

the largest single stake in Com-

putacenter, the UK systems inte-

grator. Lex, Page 22; Loodon SE, Page

value of \$6.3bn.

through the introductioo of new products and by cutting costs.

The management team, which is investing £800,000, will be sble to increase its 3 per ceot equity stake. Investcorp bas granted options to the 30 managers which

could raise their stake to about 13 per ceot. Mr Buscombe said this was a feature of most of the 47 deals the bank had dooe in the 10 years since it was founded. Investcorp would be managing

the investment of its Arab backers, rather than managing the "One of the secrets of what we do well is not to get involved with managemeot," be said.

Investoorp was established in 1982 by Mr Nemir Kirdar, ao Iraqi businessman, who brought investors together within the six Gulf Co-operation Council coun-It has tended to lead buy-outs of companies - the largest of which was the \$1.6bo acquisitioo of Saks Fifth Avenue, the department store chain - and then

place stakes with Arab investors, managing the stake on a discre-The group is on the point of purchasing Circle K, the bank-rupt US convenience store chain. After that deal and the purchase of Thorn Lighting, it says It will have been involved in transac-

Thorn Lighting's launch as an iodependent company coincides with a sharp downturn in the continectal European economies, where it makes about half its

Michael Skapinker executive, said the company was

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# Pechiney chairman warns against early privatisation

By Alice Rawsthorn in Paris

PECHINEY, the state-controlled aluminium and packaging group which is a candidate for privatisation by France's new centre-right government, may have to wait for an improvement in the metal market before being sold,

according to its head. Mr Jean Gandois, chairman of Pechiney and previously an enthusiastic exponent of privati-sation for the group, warned that current conditions in the aluminium market were not conducive to s sale into the private sector. The warning issued by Mr Gandois effectively rules out an early

privatisatioo for Pechiney. The government would be unlikely to press ahead with a sale against the management's wishes.

Pechiney has in recent years

beeo badly affected by the steep increase in imports of cheap aluminium from eastern Europe. Mr Gandois, speaking at the

annual meetlog of Pecbiney International, its packaging subsidiary, said the group's first priority was to "reduce its losses

and then to be privatised".

The group's privatisation prospects may also be affected by plans to raise capital for Pechiney International. Mr Gandois said the packaging subsidiary, which is 67.9 per cent owned by Pechiney, was on course for a slight increase in net profits this year, from FFr1.07bo (\$200m) in 1992, but might need new finance to continue its acquisition pro-

ernmeot. But the 1987 stock mar ket crash brought the privatisa included in a list of 21 companies scheduled for sale by the new administration. The government hopes to proceed with the first of the proposed privatisations in However, e number of compa-

nies oo the current list, such as the Bull computer company and Air France, are regarded as unsellable, at least in the sbort term, because of financial prob-This means that the government will be fairly limited in its

choice of privatisation targets. Pechiney had previously been considered one of the more Pechiney was originally schedrobust contenders because of its uled for sale in the mid-1980s by high profile among international the last centre-right French gov-

# British Steel urges EC attack on Spanish and Italian subsidies

By Andrew Baxter in London

THE war of words over the future of Europe's steel industry intensified yesterday when British Steel attacked state subsidies for its Spanish and Italian rivals and urged the European Commission to press ahead with restruct-

British Steel was reporting its worst annual results since its 1988 privatisation – a pre-tax loss of £149m (\$223.5m) for the year to April 3. Mr Brian Moffat, chairman and chief executive, said many continental European steelmakers had balance sheets "in

He singled out the Spanish and Italian industries as "the worst offenders" on subsidies and said restructuring is a partly self-

British Steel and the UK govern-ment were both "utterly against"

Mr Moffat's outspoken comments come a year after British Steel closed its Ravenscraig steelworks in Scotland. The company said oo major ratiooalisations were planned this year. But he warned that if state subsidles continued elsewhere, British Steel did not have unlimited

funds. The company, which passed its interim dividend, cut its final from 1.5p to 1p a share. The loss announced yesterday compares with a £55m deficit in 1991-92 and profits of £733m in 1989-90 when

capacity in the Community.

British Steel supports the plan. but is worried that unless subsidies are eliminated, efficient private sector producers will be forced to reduce capacity further, while weaker state-supported enterprises are sustained.

nificant cuts in capacity were achieved. British Steel had the Inwest costs and the strongest balaoce sheet among western

further job cuts in the UK.

the industry was booming. The main plank of the EC

financed scheme under which companies remaining in the industry would pay rivals to cut capacity or leave the business. The EC has identified about 30m toones of surplus hot rolling

Mr Moffat said the industry's problems could be resolved if sig-

Europe steelmakers. Lex, Page 22; Details, Page 30

# Major fires broadside at social policy

By Philip Stephens, Political Editor, in Copenhagen

BRITAIN'S prime minister, Mr John Major, yesterday sought to move oo to the offensive in his long-running battle with the country's Community partners over social policy by spelling out the link between Europe's escalating labour costs and its declining competi-

In a presentation to the Copenhagen summit which was designed to capitalise on what he sees as a new mood of "realism" in the Community, Mr Major also took a further sideswipe at Germany for preventing s Europesn-wide

### Interest grows in stability pact plan

THE Frencb plan for a new European stability pact, aimed at forestalling any future conflict over national minorities in eastern and central Europe, is today expected to receiva broad endorsement from Community heads of government.

It has already drawn a cau-tiously interested response from other member governments, and the 12 leaders will today ask their foreign ministers to examine it in greater detail, and report back in time for the next European summit

Britain, which might have beeo expected to be sceptical of launching any new comprehensive plan for eastern Europe, has decided to give the plan a fair wind largely no doubt in the interest of fostering the improvement in Anglo-French

British officials said yesterday the government thought the plan was "very interest-ing", and was "happy to study it further". They were wary in case the French plan should weaken the existing pan-European Helsinki (Conference on Security and Co-operation in Europe) process, but thought it contained "imaginative ideas", wortby of further study, for dealing with serious problems

The beart of the plan. launched by Mr Edouard Balladur, France's prime minister. is that the Community should persuade the countries of eastern Europe to negotiate with their neighbours to resolve the problems of their minorities, in agreements which would subsequently be endorsed by a plenary European conference.

The French argue that the break-up of the Soviet empire has revealed the seriousness of the problem of national minorities in eastern Europe, most acutely in the case of the ethnic war in former Yugoslavia.

In the latter case the international community proved incapable of preventing the outbreak of violence. But the French claim that the EC has an important interest - and may have the influence - to ensure that this experience is not repeated elsewhere.

The first stage in the plan would be a plenary conference to identify the problems of minorities and frontiers which needed settling. Stage two would be a series of negotiations by the relevant subgroups of countries, assisted by other European countries as

Agreements reached in these sub-negotiations would be endorsed formally six months later, by a second plenary conference of all the participating governments, and incorporated in a "European pact".

The conference would be attended by most of the countries of eastern and central Europe, as well as by Russia, the US and Canada. But the French propose to

exclude the countries of the Caucasus, on the grounds that ethnic conflict has already broken oot there.

The countries of ex-Yugoslavis would also be excluded for the same reason, unless in the meantime they should have oegotiated an effective

The prime mover in the conference, as well as in the subsequent negotiations, would be the European Community, since it would be holding out the underlying incentive for the eastern European governments to engage in the negotiations, in the shape of ultimate rapprochement with the

The French argue that their plan should be regarded as the Community's first undertaking in the field of the common foreign and security policy as laid down in the Maastricht treaty.

reduction in interest rates. Emphasising the advantages that Britain now enjoyed from a combination of low inflation and low borrowing costs, Mr Major said that high real interest rates elsawhere were

"penalising growth, stopping investment and damaging business and consumer confidence". He also warned against any relaxation of Maastricht treaty guidelines on fiscal deficits, even though he regarded as "fanciful" the timetable set for European monetary union. However, the prime minister reserved the thrust of his speech for a frontal attack on

employment costs on competi-

Contrasting Europe's failure to create jobs during the 1980s with the success achieved in the US, he told other leaders: "The choice before us is a stark one. We surely do not want the 17m unemployed in Europe to become 20m or more people without jobs. We must

compete or we shall contract." He called for new procedures under which any proposed EC legislation affecting industry or employment would be accompanied by a full analysis of its impact on competitive-ness. In parallel, the European Commissioo should carry out a thorough audit of existing directives to gauge their

In what his aides described as an attempt to dislodge the notion that Europe could prosper "through trade with itself", Mr Major offered a litany of figures to underline the ECs weakening competitiveness and rising structural unem-

The Community share of the industrialised world's exports had fallen by 10 per cent during the 1980s. EC unit wage costs had risen by 4 per cent a year over the same period. In the US, the rise had been 1 per cent a year. In Japan there had been no increase. As a result, average labour costs in manu-

impact on business costs and facturing in the EC were now jobs.

20 per cent higher that in pan or the US.

Offering his prescription, Mr Major called for greater labour market flexibility and mobility, an end to wage indexation and the promotion of flexible work patterns and employment con-

That provided the basis for a sharp sttack on efforts to harmonise social policy across the Community. With the nonwage costs of European employers nearly twice the level of their competitors in the US, the priority should be to reduce the regulatory and social burdens on industry.

Seizing on four directives

eration - covering working time, acquired employment rights, young people and part-time workers - Mr Major warned: "There is a real danger that harmonisation at Community level is locking us in to costly labour market rigidities and driving away business to our competi-

ques Deiors' plan to produce a report for the Brussels summit next December, he said that the main focus should be on improvements to the functioning of labour markets and lightening the burdens on

Backing in principle Mr Jac-Consolidate the sharp market and progress to economic and more anywhiter (and a successful bondunion to the Uniquey Ro

> Delors makes a hit by

HOBBLED by sciatica, Mr Jacques Delors, president of the European Commission, performed a difficult balancing act at the Copenhagen summit yes-

His exposition on wby Europe is losing the race to remain competitive with the US and Asia contained plenty of food for thought, but little to offend EC leaders, many of whom have different prescriptions for dealing with today's unemployment crisis in the Community.

By winning a mandate for further study, Mr Delors has the chance to present new ideas and a possible action plan in time for the next EC summit in December. This may sound modest, but

he has learnt to temper his ambition as the balance of power has shifted from Brussels to the member states. in his presentation. Mr Delors pointed to graphs showing that the US created almost 29m jobs between 1970 and 1990, compared to nearly 9m in

the EC. He conceded that Europe's record on youth and long-term unemployment was worse than that of its principal competitors. Mr Delors called for an increase in job agencies to help people back to work, suggesting that EC states increase their annual spending on such agencies from 0.1 per cent of

GDP to 0.5 per cent of GDP. But he rejected substantial changes either to Europe's labour protection laws or its welfare state. Mr Delors, a lifelong Socialist, was never about to stage a Pauline conversion on the road to Copenhagen. His goal was more to shape the debate, now that Europe's political currents have shifted.

The Commission president knows that the highly integrated model he espoused for the Twelve in the run-up to the Maastricht treaty three years ago is no longer realistic.

Thus, the eight-point action plan contains something for

everybody. Chancellor Helmut Kohl of Germany will he pleased that Mr Delors is talking about the "enormons potential for

aiming lower Britain's prime minister, will take comfort that Mr Delors is preaching the virtue of open markets and is willing to sup-

> ment on Tariffs and Trade, assuming that difference on agriculture can be overcome. Mr Delors offered little to the protectionist lobby in his native France which is gaining ground as unemployment

port a "swift" conclusion to the

Uruguay Round of global trade

talks under the General Agree-

Instead, he is looking beyond the present Gatt round to the creation of a future world trade organisation whose rules would take into account currency movements, capital flows, environmental codes and the need "to deliver the

He has learnt to temper his ambition as the power balance has shifted

social progress to which every-

one has a right.... Mr Delors also wants to raise spending on research and development, devoting 3 per cent of the gross national prodnct of EC countries to this area, compared with the present 2 per cent.

He is also calling for a "common information area" in Europe, to be created by stimulating industries such as telecommunications, computers, and fibre optics. He suggested that the first new investment by member states be Ecu5bn (£3.9bn), followed by an annual Ecu5bn-Ecu8bn programme.

These ideas confirm that Mr Deiors has lost none of his instincts for thinking and acting on a grand scale. But in Copenhagen yesterday he showed that he understands that success will depend on the willingness of member states to co-operate.

Now that he is entering the twilight of his Brussels career, Mr Delors is looking to pre-serve today's gains in the EC as much as to chart the future.

# Izetbegovic plea for end to arms ban the deteriorating situation in Bosnia would have to be taken

PRESIDENT Alija Izetbegovic of Bosnia last night made an urgent appeal to the European Community to lift the arms embargo against his country.

However, be received no encouragement from the EC's "troika" of foreign ministers from Britain, Denmark and Belgium representing the for-mer, present and next presi-dency of the Community. Mr Niels Petersen, Danish foreign

minister, said: "In my view it is not a sound idea to lift the weapons ambargo; it would require a Security Council resolntion, which is not forthcoming, it would lead to more fighting, and there would be great danger that United Nations forces would have to be withdrawn."

But it was learned last night that Chancellor Helmut Kohl of Germany may be preparing to argue in favour of lifting

Mr Izetbegovic said: "We request that the arms embargo be lifted to import a limited quantity of defensive weapons. The arms embargo deprives Bosnia of the right to legitimate defence, it has made the aggressor reluctant to negotiate. Those who argue for the arms embargo want the capit-ulation of Bosnia-Hercego-

The president was ambivabout whether he would take part in future Geneva

"We cannot decide this here," he said. "We must go back to Sarajevo to consult the government and the parlia-

"But we shall never partici-pate in negotiations which are a cover for further territorial aims of the Serbs. If the Serbs continue to take over territory ve will not take part in nego-

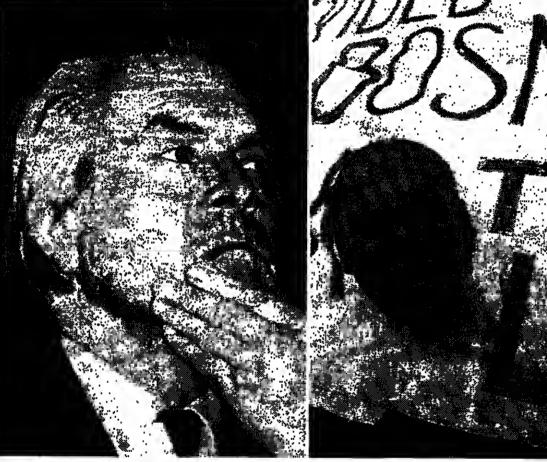
Mr Petersen said that the

tomorrow," he said. But he added: "We are fully committed to the principles of the London conference. But the Community will not pressure the Bosnian government into any agreement it does not want. We just say it is impor-tant to negotiate."

later by the 12 heads of gov-

ernment. "It is premature to say what the European Com-

munity will decide tonight or



Peace mediator Lord Owen contemplates the ruln of his plan, while a pro-Bosnia demonstrator makes his point in dramatic fashion outside the conference centre

# Signs of a split in Bosnian presidency

By Robert Mauthner. Diplomatic Editor

BOSNIAN President Alija Izetbegovic is coming under pressure not only from the European Community, but from other members of the joint Bosnian presidency to adopt a less hostile attitude to the latest proposals for Bosnia's future political framework.

Yesterday, Bosnia's collective presidency, which includes Serbs and Croats as well as Moslems, was reported to have postponed scheduled talks in Zagreb with Mr Izetbegovic as signs of a split emerged which could threaten his position as leader. The meeting could now take place in Geneva today, after Mr Izetbegovic's talks with EC foreign ministers in Copenhagen last night.

Now that the international mediators,

Lord Owen and Mr Thorvald Stoltenherg, have conceded that the original Vance-Owen plan is defunct and that other, if less desirable avenues, must be pursued. Mr Izetbegovic is also seen by a growing number of western diplomats as the main obstacle to progress. His political demise would not be seen as s tragedy in western capitals.

United Nations peacekeepers are planning the helicopter evacuation of 145 seriously wounded people trapped in Gorazde, the last Moslem enclave in eastern Bosnia, writes Laura Silber in Beigrade. Serb commanders yesterday refused to allow an emergency relief convoy to reach Gorazde, a UN-designated safe area under Serb siege for 15

Earlier, Bosnian Serb commander General Ratko Mladic gave permission for the passage of the desperately needed food and medical supplies. It is the first overland convoy to try to reach Gorazde since the Serb forces intensifed their offensive on the

Significantly, after last week's meeting in Geneva of the presidents of Serbia, Montenegro, Croatia and Bosnia under the chairmanship of the mediators, separate talks were held hy the mediators with members of Bosnia's collective presidency.

At these talks, Mr Izetbegovic's colleagues adopted a noticeably more open attitude than their leader to the propos-als for the creation of three ethnic minienclave last month. Some 60,000 people since then have depended on airdropped relief supplies that cannot feed the entire population, most of whom are refugees from the Serb assault on eastern Rosnia.

 Local election officials reported a 96 per cent turn-out in the weekend refer-endum on the union of Serb-held territory in Croatia with the self-styled Serb state in Bosnia. Rebel Serb leaders said they planned to announce the union of their two areas on June 28, despite a call from Mr Radovan Karadzic, the Bosnian Serb leader, to postpone the union which would likely scupper a Serb-Croat truce on dividing Bosnia.

states within a loose confederal frame work, which are due to be presented in detail by Serbia and Croatia in Geneva tomorrow, according to western diplo-

Mr lzetbegovic, by contrast, last week rejected tha Serbian-Croat proposals and once again called for the lifting of the UN arms embargo against Bosnia to enable the Moslems better to defend

The extent of the growing split within the Bosnian presidency was underlined yesterday by Mr Fikret Abdic, generally regarded as s moderate Moslem and potential challenger for the leadership, who said that no plans should be rejected outright. He was quoted by Croatian radio as saying: "Not one idea of the future arrangements for Bosnia should be rejected."

Lord Owen, while still insisting that the Bosnian Serbs must withdraw from some of the territory they have occupied during the 14-month old Bosnian conflict, has stressed that the situation on the ground must be taken into consideration in any peace settlement. However, he hopes to save some essen-tial elements of the Vance-Owen plan, such as the demilitarisation of Bosnia, the creation of a pluralistic democracy through free elections and the guarantee of human rights.

Most EC foreign ministers have

stressed that any peace settlement must be approved by all the parties involved, and that Bosnia must remain a separate sovereign state even if the latest Serbian-Croat plan for a loose confederation

# Commitment to eastwards expansion expected

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But a divided EC can provide only modest assistance, writes David Gardner

ONE of the few concrete decisions expected from the Copenhagen summit is for the EC to commit itself for the first time to Community membership for six post-Communist states in eastern and central Europe.

Since it will still he many years before these countries -Poland, Hungary, the Czech and Slovak republics, Bulgaria and Romania - have strong enough economies to survive In the EC, the 12 heads of government are also expected to agree measures to accelerate political and economic integra-

tion with the Community. The package is modest when measured against east European needs. But it is as bold as could politically be expected

from the 12, mired in recession and with some member states hesitant about the enlargement negotiations already under way with Sweden, Austria, Finland and Norway. The measures include faster

access for east European goods to the EC market, targeting EC aid for infrastructure and industrial restructuring; and the creation of a "European Political Area" through joint sction in areas of common interest such as energy, transport, the environment and research, and structured collaboration on security issues through regular joint meetings. The European Commission document that heads of gov-

ernment are set to endorse

insists that it is in the EC's

interest to commit itself to an enhanced relationship with the former Soviet satellites if they are to become future partners rather than unstable neigh-

"As the scale and the costs of restructuring (the east European economies] become apparent," the document argues, "opposition to change is growing, with the risk of destabilisation and the reversal of current policies."

A European Political Area. it says, is "vital in view of the absence of a coherent security structure covering the countries of central and eastern Europe, and the consequent feelings of insecurity in the Yet the commitment on

membership carries no target date for entry. Nor, despite pressure from the Commission, Germany and the UK, is agreement likely on a date for a summit between the EC and the east Europeans to review tha latter's progress towards

membership. "There is nervousness about raising expectations" in eastern Europe, one EC diplomat says. There is also danger that the commitment on membership will be so grudging as to weaken east Europe's reform-

France, indeed, was pushing to tighten up the general membership criteria by making them more explicit. To qualify for the EC, the summit's conclusions were expected to say,

a country should be a stable democracy that guarantees human and minority rights, with a functioning market economy able to conform to EC law and withstand the competition of the single market. The candidates would have to endorse the Maastricht objectives of political and monetary union. But the Community itself would take into account whether it could maintain the élan of European integration if

it let them in. This last hurdle emphasises the division in the 12 between "deepeners" - federalists who fear enlargement will brake progress towards European union - and "wideners" who hope that by embracing an unprecedented number of new

members the EC will have to become a much looser entity.
This is a battle which should climax in the 1996 constitutional review foreseen at Maastricht, when reform of EC decision-msking and the streamlining of its institutions will be decided.

and Austria are supposed to have become members, and member states such as the UK which favour a wider Europe hope this will tilt the balance of power against the federalists. Though no dates were in prospect for the east Europeans, the UK was last night pushing hard for a firm date for concluding the accession talks with the candidates already in the EC's ante-room.

By then, the Scandinavians

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PARTIAL municipal elections in Italy have confirmed beyond doubt the strength of the populist Lombard League in northern Italy.

The League achieved its ambition of winning the may-oral race in Milan and will now be able to use Italy's higgest northern city as a show-piece for plans to clean up the administration and privatise municipal services.

The second round run-off to lect mayors, held oo Sunday, has also demonstrated the power of the Party of the Democratic Left (PDS), the former communist party. It managed to act as a rallying point in the centre and south of the country. The PDS, allying with a shifting series of local partners that included the Republicans. Greens and Mr Mario Segni's referendum movement, has done extraordinarily well at the expense of its traditional rivals, the Christian Democrat party and the socialists.

The new mayors elected for such cities as Turin and Ravenna to Siena, Catania and Agrigento now have the right to choose 60 per cent of the

Italian municipalities will have stable administrations over the next four-year term of office. Also, there will be none of the usual politicking to form

administrations which in the past have taken up to three months or more to organise. The new rules for municipal elections, which were approved in March, allowed for direct election of mayors and laid down rules for the allocation of seats with a majority voting system - with 60 per ceot of the seats allocated to the winning mayoral candidate's party/coalition and 40 per cent to the other parties on the basis

of the first round vote. Mr Marco Formentini, the 63 year-old mayor of Milan, takes over an administration that has been run by a special commissioner for the past months because the corruption scan-dals have completely undermined the governing coalition. Mr Formentini, a lawyer who worked for more than 10 years

in the European Community, easily beat his left-wing rival, Mr Nando dalla Chiesa, gaining 57 per cent of the vote. Elsewhere the League consolidated its hold on several

trations - Gorizia, Mantua and

In the first round held on June 6, a hrond pattern emerged of the League gaining a wide margin of support to become the main party in the North: the PDS took control of the centre in terms of votes; while the Christian Democrats cootioued to dominate the

Under the new rules, the mayor had to be elected by an overall majority in towns of more than 15,000. This led to a second round in

145 towns and cities between the two candidates who received most votes. The League always insisted on going it alone; hut the system benefited those candidates

who presented themselves as Thus, although the Christian Democrats still obtained the most votes overall, the PDS has acquired more power because its candidates for mayor have done almost unversally well in the centre and south. The PDS alliance also won in Turin with their

telecommunications professor

candidate, Mr Valentino

OAD hauliers through-out the European Com-munity yesterday began digesting the implications of what could prove to be one of the most far reaching

changes yet to take place in their industry. Late on Saturday night, after months of wrangling, EC trans-port ministers thrashed out a deal that will lead to a total deregulation of the Community's road haulage market in

At present, EC road hauliers

are not allowed to ply for hire io countries other than their own except under a restrictive liceosing system. But after reaching agreement on the related issue of charging lor-ries for using EC motorways, EC mioisters decided the licensing regime should gradually be relaxed until, on July 1, 1998. EC hauliers would be free

community. One reason the move is significant is that It means more efficient use can be made of the one-in-three lorries returning empty after delivering their loads in other RC countries. But it also makes it possihle for hauliers to start touting for husiness in other EC mem-

ber states or to expand geo-

to pick up or deliver goods

between any two points in the

graphically by setting up branches or depots in neighbouring territories.

In theory, therefore, the door has been opened to an intensification of the competition in what is already a highly com-petitive market. But what will only slowly become clear is

who will gain from the move,

Among the potential gainers, two of the best placed coun-

tries could be Britain and the

Netherlands. Britain deregu-

lated its domestic road haulage

25 years ago, long before other European countries started to

dismantle their quantitative

systems under which licences were rationed, so its hauliers

bave loog since made the

adjustment to a competitive

Even so, Ms Ivy Penman.

head of international planning

for the UK distribution com-

pany Exel Logistics, said com-

panies were more likely to

expand hy acquisition than by

spreading existing operations

into nelghbouring countries.

"We have found that if you

want credibility in a country,

environment

you need to acquire local management," she said.

FT writers assess a Community-wide deregulation of the transport industry

EC road hauliers weigh new regime

There was also some scepticism about the degree to which smaller Independent hauliers would ply for hire in other countries. Mr Dlck Denhy, owner of Lincoln-based international hauliers Denhy Trans-

port, said it was unlikely that a

company wantlog its goods

transported would prefer an unknown foreign operator to a

And Mr John Guttridge

head of external affairs at the

Freight Transport Association,

thought it equally unlikely

that many continental hauliers

would seek work in the UK.

queueing up outside custom-

ers' premises as it is," he said.

mon approach to European

road transport is important

because the country's trucking

industry accounts for 25 per

cent of cross-horder road

freight traffic in Europe, Dutch

road hauliers have tradition-

national haulage licences avail-

able under the existing system,

In the Netherlands, a com-

There are enough UK haullers

well-known local haulier.

The liberalisation deal could prove to be one of the most

far-reaching changes yet to take place in their industry

and for them, total deregula-

centre of the EC such as

France will feel less compelled

to seek out this kind of new husiness. Nedlloyd, the Nether-

lands' largest transport group

which has expanded strongly

in Germany io recent years,

said: "Anything which breaks

down harriers in Europe is

Other countries seem less

entbusiastic about the

changes. Io France, for exam-

ple, Mr Bernard Bosson,

France's transport minister,

was yesterday seeking to reas-sure the French road haulage

industry that the five-year

transition period would give

them plenty of time to adjust

Mr Bossoo said it was essen-

tial that "liberalisation should

be not hrutal, but should be

very progressive and con-

to unheidled competition.

The Dutch hauliers hope the agreement will enable them to huild on their strong European market share to capture a proportion of the domestic markets in other countries. They believe that competitors in the tained", and called for parallel technical" standards in the EC to protect French lorry drivers

from unfair competition. in Germany, which secured the right to introduce motorway charges for foreign lorries in return for its agreement to deregulation, the German road haulage industry yesterday gave a cautious welcome to the Luxembourg decision. "Anything which reduces the com petitive disadvantage of the German road hauliers must be welcomed," said Mr Viktor Ket tler of Interdean, the international removals company.

Mr Herbert Nickenlg, respon sible for the road haulage sec tion of the federation of haulage contractors, said the deal could still mean a competitive advantage for rival national industries, above all the Dutch. But as more than one Euro pean haulier pointed out yesterday, with Germany vowing to plough the proceeds of its

motorway charges into restructuring Deutsche Bundesbahn, the biggest gainer from the Luxemhourg agreement might not be the road haulage industry at all but German railways. Reporting by Richard Tomkins Ronnid van de Krol, David Buchan and Quennn Peel

# north towns, including Novara SPD's leader in pledge to challenge Kohl

By Quentin Peel in Bonn

MR Rudolf Scharping, the youthful new leader of Germany's opposition Social Democrats, vesterday moved rapldly to consolidate his position, announcing his determination to challenge Mr Helmut Kohl for the chancellorship in next year's elections.

His decision aims to end in-fighting within the troubled opposition party, and was announced with the public support of Mr Oskar Lafontaine. the deputy leader and state premier of the Saarland, who was the SPD candidate for chancellor at the last elections. Mr Scharping, aged 45, who

is currently state premier of the Rhineland-Palatinate, made clear his determination to keep the important strings of party leadership in his own hands, by taking over as chairman of the committee to draft the party's 1994 election manifesto. under the heading Germany 2000, a job previously held by Mr Lafontaine.

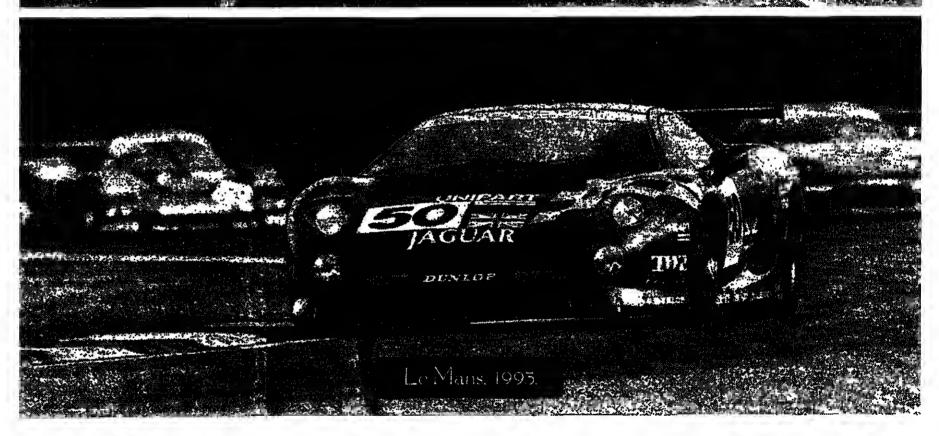
The new leader will be formally confirmed as party chairman on Friday, at an emergency coogress in Esseo, although the choice of candidate for chancellor will only be formally made next year. He said he would announce a gov-

move follows three sets of 'intensive talks" with Mr Lafontaine over the past week since Mr Scharping emerged as the clear victor from an unprecedented poll of party members to choose a new leader. In persuading his deputy to bury his own ambitions he was undoubtedly strengthened by recent opinion polls, which showed Mr Lafontaine as one of the few SPD leaders whose popularity is actually lower than that of Chancellor

In the magazine, Der Spiegel, published suggested that Mr Scharping would narrowly defeat Mr Kohl by 39 per cent to 36 per cent in a battle for the chancellorship. If Mr Lafontaine stood, he would lose by 32 per cent to 46 per cent, It said.

Although Mr Lafontaine is far more colourful than the cautious Mr Scharping, he is also far more controversial. and has oever recovered from his disastrous election campaign in 1990, when he (quite correctly) warned of the eco-nomic problems certain to arise from German unification. At that time, the German electorate simply did not want to know, and voted for the optimistic chancellor.

# Le Mans. 195.



### **NEWS IN BRIEF**

### 'Charisma' of Lopez defeats GM's case

CHARISMA alone was enough to persuade seveo former General Motors managers to follow Mr José Ignacio Lopez de Arriortúa to new jobs at Volkswagen, a Frankfurt court said yesterday, writes Christopher Parkes in Frankfurt.

Rejecting claims from Adam Opel, GM's German subsidiary, that VW's hiring the men breached fair competition rules, the court said in a written ruling that Mr Lopez's colleagues had tried

to persuade him to stay with CM. In the event they needed no urging, having already told him before he decided to go that they wanted to continue working with him whatever happened. The court also said that Opel had failed to convince it that any knowledge its former employees took with them was confidential and could not be transferred to

Opel still plans to proceed with a full hearing on the case, and meanwhile, investigations are continuing into possible charges of industrial espionage against Mr Lopez and his associates.

### French seen as more protectionist

Gloomy about prospects for an end to the recession, most French people favour protectionism on imports and a tough line with the US on world trade negotiations, according to an opinion political released yesterday, Reuter reports from Paris. Some 67 per cent thought France and Europe should limit non-French or non-Europe should limit non-French or n pean imports and 62 per cent thought Europe should be tougher with Washington in the Gatt world trade talks, even if this meant upsetting relations with the US. The poll by CSA for Le Parisien newspaper also said 79 per cent of those asked thought the recession would go on for at least a year or two.

### Turks held over Paris shoot-out

French police have arrested three suspected members of the Turkish extreme left-wing political group, Devsol, after a shoot-out in central Paris in which one man was was killed, a

magistrate sald yesterday, Reuter reports from Paris. The three were arrested on Saturday following the shooting on June 15 involving up to 15 gunmen from rival Devsol factions. They have been placed under investigation on several serious charges including the murder, the authorities said.

### Danes join with Nasa in project

Denmark is to take part in a DKr120m (\$18.5m) scientific satellite project in co-operation with the US space agency, Nasa, in 1995, the Industry Ministry announced yesterday, Reuter reports from Copenhagen. The project involves the launch of a small Danishbuilt 50 kg satellite into orbit at a height of 800km to study the Earth's magnetic field.

# 'hat's twice in a row we've won.

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What are dreams for, if not to come true?

# Russian reformers to free coal price

By Leyla Boulton in Moscow

THE RUSSIAN govarnment will free coal prices next month in its latest attempt to adhere to a radical economic reform programme agreed with the International Monetary

Mr Sergi Vasiliev, director of the government's centre for monitoring economic reform, said a presidential decree published yesterday marked a victory for radicals within the government over conservative ministers' preference for an administrative increase in

fixed prices. He described the decision, which was taken after "a very big fight within the government", as a breakthrough for efforts to lift remaining price controls on energy in the face of fierce opposition from industrial lobbyists and the state

bureaucracy.
in an attempt to help mines earn more from exports, the decree also reduces requirements for the compulsory sale of hard currency earnings to the state, abolishes export tariffs for coal, and promises to do away with all quotas and licensing rules for coking coal from January 1. But the Russian government's timing seems geared more to reassuring the IMF as it prepares to disburse a \$1.5bn (£1bn) loan to Moscow, and to obtaining more foreign aid when G7 leaders meet President Boris Yeltsin at their summit next month.

While most other prices were freed last year, remaining controls in the energy sector have helped fuel inflation, reduced pressure on Russian industry to become more efficient, and exposed exporters to accusations in the west that they enjoy unfair subsidies.

Mr Yuri Shafranik, the fuel and energy minister, said on Friday that the government aimed to free all energy prices by the end of the year. But Mr Vasiliev said yesterday lt was not yet clear how and when remaining controls on the domestic price of oil would be freed and quotas on its export

# Deficit, not ideology, drives French sell-off

David Buchan outlines the likely course and timetable of the new conservative government's privatisation programme



sations is primarily a matter of money, in contrast to thosa started seven years ago which were driven as much

by politics. On their return to power in 1986, France's conservatives were determined to show that by pushing privatisation through under the nose of a defiant President François Mitterrand, they could roll back the nationalisations that were one of the main Socialist achievements of the early

Today, however, the conservatives have no such need to prove their political virility. In parliamentary elections in March they routed a Socialist government which, far from trying to re-nationalise compa-nies in the late 1980s, partly conceded the case for private ownership by half-heartedly selling off a few state assets

Some die-hard Socialists still rail about "the cream of French industry being flogged off to foreign predators". But, as Mr Edmond Alphandery, the economy minister in charge of privatisation, told the senate, "the ideological debate is over".

The government of Prime Minister Edouard Balladur has a pressing need to get a lot of money from privatisation. It cannot squeeze any more out of a budget in which spending will outstrip revenue by FFr317bn (£38bn) this year, So it is raising FFr40hn in a spe-cial "Balladur bond" issue, which it wants to finance with privatisation proceeds this autumn, rather than by further increasing the deficit.

In theory, that should not be

difficult. The government has put 21 companies on the auction block (see table), in what will be Europe's largest privatisation. Some of them are confirmed money-losers, such as Air France and Bull, the computer company, which have been put on the sell-off list probably more as a jolt to their managements than in the realistic hope of finding early buyers. Others, though, are stars in their sectors - Elf-Aquitaine in oil or Rhône-Poulenc in

One big sale would do the trick this year. Selling the state's 50 per cent stake in Elf would, according to Baring Securities, bring in between

FF138bn and FF147bn.
But the ralatively small domestic stock market remains in frail health, while many of the foreign investors who already hold about 30 per cent of the shares on the Paris bourse believe Gallic protectionism will prevent there getting much more.
The government has done

away with the 20 per cent ceiling it put on foreign purchases of the 1986-88 privatisation issues. But, taking a leaf out of the UK government's book, it has said it would retain a golden share in strategic companies such as Elf. Air France and the two big defence contractors, Aerospatiale and

If and when such companies reach private hands, the state would still retain "very strong prerogatives" in their management "when essential national interests are at stake", Mr Alphandery assured anxious

With pledges like this, the government will have little problem getting privatisation through parliament. It hopes to celebrate Bastille Day (July 14) with the framework legislation THE 21 ON THE BLOCK

	Turn-	Letest		State	Date of	
	-cver .	results			National-	
Company		(Lt. to)		March 33	Esation .	President
				A		*
Verospatiale -	52.2	2,380	45,000	73.72	AUX 1936	Louis Gallois
Mr. France	67.2	3,268	84,000	99.3	JUN 1945	Bernard Attall
Sanque Hervet	7.3	186	1,383	73.7	Feb 1982	Ratrick Carea
SNP.	. 38.0:	+2,200	58,000			Michel Pébereau
Calssa cent. de Réassurano	a 3.7	+ 245	160			Alexis Ruset
M ==	302	-4.700	35,200	720	Feb 1982	: Bemard Pache
Compagnie Gen. Maritime		-733			Jul 1933	Enc Giully
rédit Lyonnais	43.3	- 1,800	70,000	52.5	Dec 1945.	Jeen-Yees Haberer
echiney	65.3		61,000	55.7	Feb. 1982	Jean de Gols
Renault		+ 5,680	148,600		Jan 1945	Louis Schweitzer
hone Poulenc		+ 2.200			Feb 1982	Jean-Reps Fourtou
GF :	•	+1,500			PApr 1946	Michel House
AN	43.7	+ 402	49,000	79.4	Apr 1946	* S · K /A/Eac
		+ 1,100		55.9	Apr 1946	i Jean Peyrolevade
elta	13.9		5,500	100.0	Jan 1959	Bertrand de Guile
Société Mars. de Gredit	1.3	- 454	2,368	100.0		: Liean Matouk
NECMA	22.8	- 794	25,300	96.9	May 1945	General Renon
M-Aquitaine	200.5.	+6,200	87,000	50.1	Nov 1941	2 - 2
homson".	71.0	-544	100,000	7 .75.8	Feb 1982	Alam Gomez
Ishor-Sactor	87.0	-2,400	90,800	1, 80.0	Nov 1961-	Francis Mer
caisse Nat. de prevoyance	42.2	+ 1,120	2,000	42.5	Jul 1868	Pierre Damis

on the statute book. Two weeks later it will establish tha new privatisation committee. and give it something to work on immediately by announcing the first batch of companies to

The privatisation committee will value the companies to be sold and conduct tenders among companies wanting to buy into the privatised entities as part of a ring of core shareholders, or noyoux durs. Last time around, Mr Edouard Balladur, then finance minister, took the decision himself on the noyoux durs and came in for considerable criticism that he was rewarding political and business cronies. To be above such suspicion, the government will now in effect farm out the forming of the noyour durs to the privatisation com-

The first batch, probably two to five companies, will cover several sectors of the economy. The idea is to get started on a hroad front on the valuing of companies, arranging for the conversion of any non-voting certificats d'investissement into shares and choosing banking advisers, and at the same time to give the government some flexibility to advance or delay a sale depending on the mar-

What criteria will the government use in choosing which sales should go forward? "Above all, it will be the health

of the companies themselves. says a senior economy ministry official. "This ohviously includes the state of the sector in which it operates. We will not, for instance, offer to the market companies which happen to be making cyclical losses, even if they are basi-

A key question for investors will be the management of the company they are buying into. The government has inherited a bevy of managers largely appointed by the Socialists in 1991 for three years. It has decided that there should be no general chopping off of heads until at least 1994. But, in the case of companies slated for

cally sound."

has said it may make changes. "Experience has shown that a management must be comfortable with privatisation for it to succeed," the economy ministry official says. "Privatisation involves a big publicity campaign, and it is impossible for that to be carried out by someone who is not convinced of its merits and who does not have a good chance of staying

on after the change". One appointment, with privatisation clearly in mind, has already been mada - Mr Michel Pébereau moved last month from Crédit Commercial de France, which he took private with great élan in 1987, to head Banque Nationale de Paris.

From all this, it is possible to guess that the first group of companies put on the slipway to privatisation might include BNP among the banks, AGF among the three insurance companies, and one of the two sound and big industrial con-cerns, Elf or Rhône-Poulenc.

Rhône Poulenc said yesterday it would sell its 35 per cent stake in Roussel-Uclaf, the pharmaceutical company, for about FFr4.5bn, so reducing its debt and making Itself more attractive for privatisation. The other guessing game

centres on which companies might want to join in the noy-aux durs, which Mr Alphandery says will henceforth be open to foreign, especially European, investors. Up to now the noyaux durs have been almost entirely French. But many French institutional investors got a poor return on the earlier privatisations; their shares in Paribas are worth little more than what they paid for them in 1987 and their shares in Suez are worth less.

Because of the cross-holdings arranged under the Socialists, some privatisation candidates

noyoux durs. Crédit Lyonnais, whose own sale will have to wait until it moves out of the red, has been very active, taking stakes in Rhone-Poulenc. Aerospatiale and Usinor, the steel company. BNP has a link np with UAP, the insurance company, and has an agreement with Dresdner bank for a 10 per cent equity swap.

Mr Alphandéry has said that noyaux durs should stay where they already exist. But some investors are clearly keen to expand. Société Générale, the bank privatised in 1987, has said it would like to take equity in its long-standing customer, Rhône Poulenc, while St. Gobain, the glass company privatised in 1986, has been rumoured to want to link up with Pechiney, the metals group, with which it has com-

mon interests in packaging. The programme is clearly appetising to professional investors it has, however, ant so far excited the small punter. According to a recent Softes opinion poll, only 4 per cent of the French said they were "certainly interested" in buying shares in the newly-privatised companies.

The government is offering a variety of incentives to entice the small investor. These include allowing employees to buy shares in privatised companies at a 20 per cent discount, investors to pay by instalments on some big issues, and holders of Balladur bonds" to convert their bonds into shares of privatised companies. An early test, therefore, of privatisation's prospects will be the level of interest in the Balladur bond issue, to be launched on

Further articles on the French privatisation programme will

# France's job creation programme is presented to parliament

By Alice Rawsthorn in Paris

THE French government yesterday presented proposals to parliament for emergency measures to reduce unemployment, including a fiveyear plan to encourage job-sharing and part-time working which will

ter. told parliament that "urgent action" was needed to "put the brakes on the damaging increase in

French unemployment now stands at a post-war record of 10.9 per cent.

be launched in September. Mr The first round of job creation mea-Michel Giraud, employment minis-sures includes reducing the social charges paid by employers for low-wage workers. Tax incentives will also be offered to companies taking on young trainees. Mr Giraud said the September legislation would involve making working hours more

flexible by enabling employers to negotiate shorter working weeks. Unemployment is one of the most controversial political issues in France. It was one of the chief reasons for the defeat of the old Social-

ist government in the March elec-

tions and has already caused

ructions within the new centre-right edministration. However, the government's efforts

to stem the rise in joblessness have been hampered by the fragile state of the French economy.

The level of industrial output fell by 0.6 per cent in April, according

to official figures published yester-day. This means that output declined by 5.2 per cent in the year to the end of April. Meanwhile, the latest Bank of France business survey suggests that output stabilised in May, although demand declined. particularly in export markets.

### **NEWS:** INTERNATIONAL

Business as usual claimed as important economic talks loom

# Japan's bureaucrats guide policy

By Michlyo Nakamoto in Tokyo

THE UNRAVELLING of Japan's political structure over the past few days has raised concerns about the country'a ability to deal with some of the most thorny trade and economic issues it has faced in its post-war history. The fear is that a lame duck government in Japan will stymic progress in important negotiations from the Uruguay Round talks to the Group of Seven summit next month.

Japanese authoritiee are hard-pressed to convince the outside world that it is business as usual. "Basically there will be no impact on policy." says Mr Toru Aizawa, director of the Gatt Affairs Office of the Ministry of International Trade and Industry, no matter who wins in the elections.

Japanese bureaucrats cher-

ish the role they play in forming and implementing policy. The view from the ministries is that Japan has seen prime ministers come and go and has lived with coalitlon governments in the past, while the bureaucrats have worked away behind the scenes "No matter what kind of gov-

ernment is formed, it is possi-ble to continue building on the work that has been done (in trade relations) in a business-

like way," says an official at the Ministry of Foreign Affairs. Foreigners who have watched Japan closely agree the political turmoil is unlikely to upset the basic trend toward more open markets, "Policymaking is usually not at the level of politicians, I think Japan has the ability to carry



Masayoshi Takemura (seated front row second left) with nine other former Liberal Democrats posing in apparent unity during a news conference yesterday at the launch of the New Party Harbinger at a Tokyo hotel

on," says Mr Michael Graham, counsellor for trade and industry at the European Community delegation in Tokyo.

The view that Japanese pollcy is not going to change course dramatically and that those changes are not likely to stand in the way of practical steps being taken to implement those policies, rests on an underlying belief that there is a national consensus about where the country is headed.

trade. Politicians are not stu-pld. They wouldn't be so foolish as to change tha course of progress made so far," says one trade official.

Trade representatives of the US, EC and Canada are gathering in Tokyo for so-called Quad discussions with their Japanese counterparts tomorrow and Thursday ahead of the G7 summit. There is no doubt the political upheavals will provide "There will be no change of a distraction.

Uncertainty upsets financial markets

"In issues like the US-Japan relationship which are so com-plicated that they require a political push, things may be Japan's markets. difficult," admitted an official at Japan's Ministry of Interna-

tional Trade and Industry. Such issues include the liberalisation of Japan's rice market, the abolition of tariffs on imported spirits which the US and the EC are demanding. and possibly the debate with the US over a new framework for negotiations on trade and

economic issues, including a US request to set benchmarks to measure progress in opening

"Not having a political pow-er-broker in the LDP will make coocessions [from Japan] difficult," says Mr Stephen Anderson, visiting research fellow at Asian Forum Japan, a think tank. In the past when there was a Japanese concession it has often come from the dominant faction in the ruling Lib-

### Seoul calls for peace at Hyundai

By John Burton in Seoul

SOUTH KOREAN officials yesterday appealed for an end to escalating labour disputes at Hyundai, the nation's largest business conglomerate, which threaten to derail the government's economic recovery pro-

gramme.

A partial walkout that began more than two weeks ago at Hyundai Precision, a container and jeep manufacturer, has since spread to six other Hyundai companies located at the gronp's huge industrial complex in Ulsan

Among the subsidiaries affected by the production slowdown is Hyundai Motor, Korea's largest car maker. Workers at Hyundai Heavy Industries, the nation's biggest shipyard, are threatening to join the industrial action this

The well-organised trade unions at Hyundai have usually set the pace for labour negotiations throughout the country in past years.

Government officials fear that widespread industrial action at Hyundal, including the possibility of full-scale strikes or lockouts by the end of the week, could spread to other industrial groups and end the government's attempt to curb wage growth this year. Sharp rises in wages over the past five years, which have averaged almost 20 per cent

annually, have seriously harmed the country's competitiveness. Prospects for wage moderation initially appeared encour-aging this year. In an unprecedented accord in April, the Korea Employers' Federation and the Kores Federation of Trade Unions agreed to limit

and 8.9 per cent against 16 per cent in 1992. This coincided with a sttep fall in labour disputes during the first five months of 1993. But the number of industrial disputes has risen sharply this

wage growth to between 4.7

Vehicles are one of Korea's leading exports, with Hyundai Motors normally accounting for two-thirds of such ship-

# scandal threat

By Julian Ozanne in Jerusalem

A CORRUPTION scandal in the Israeli cabinet threatens the country's fragile coalition government and could barm the ability of Prime Minister Yitzhak Rabin to negotiate peace with Palestinians and the country's Arab neighbours.

Yesterday Rabbi Aryeh Deri. the interior minister and head of the Shas party, a coalition partner, said he would resign after the attorney general said the minister would be charged with aggravated fraud, accepting bribes, violating the public trust and fraudulently registering corporate documents.

"I'll resign from the cabinet but I have yet to decide when," Mr Deri said. Some officials from Shas - a

centre right ultra-religious party with six Knesset members - said yesterday they would quit the coalition. This would leave Mr Rabin with a bare one-vote majority in the 120-strong parliament.

"Shas should absolutely quit the coalition," Mr Aryeh Gamliel, a Shas member of parlia-ment, said yesterday. "This is a base libel."

Mr Deri has been facing the fraud allegations for three yeara after investigators charged that millions of dollars were illegally transfered from his ministry to Shas organisa-

The right-wing Likud party yesterday said that without Shas, Mr Rabin's 44-strong Labour party would be forced to depend on left-wing and . Arab support to stay in power. reducing his legitimacy to sign a peace deal. Mr Moshe Katzav, the head of the Likud parliamentary group, said in an interview: "Mr Rabin no longer has a mandate to continue his peace

policy. The right thing to do

now is to call early elections

tions and synagogues through local councils which were

pressed by Mr Deri and his

ended up in private hands.

aides to collaborate. Some of the money is claimed to have

Mr Deri was widely viewed

as a force for moderation on:

the Israeli centre-right, keep-

ing his party in the year-old

Lahour-led coalition against

increasing pressure from right-

wing political groups and set-tlers to quit the government.

and give the Israeli people the right to decide." Labour party officials conceded that the indictment against Mr Deri had damaged the coalition but said they believed Shas would remain in the coalition. "We have already said that we cannot take the big decisions about peace if Shas leaves the coalition," said Mr Eli Dayan, leader of the Labour parliamentary group.

NIGERIA'S electoral commission filed an appeal yesterday against a court order blocking official declaration of the winner of presidential elections on June 12, Reuter reports from Lagos.

The high court in Abuja, the federal capital, issued the

### **UN** human rights 'sham'

THE HEAD of Amnesty International said yesterday that the United Nations World Conference on Human Rights had been a flop and called the first half of the meeting "a week of shame", Renter reports from Vienna

This is a total flop, a sham and a week of shame," said Mr Pierre Sane of Senegal, the secretary general of the London-based human rights organisa-tion. "While delegates were talking people were being willed, tortured, executed or threatened all over the world.

Mr Sane'a assessment was disputed by many official delegates at the conference of more than 160 UN member states.

JAPAN'S financial markets were hit

By Emiko Terazono in Tokyo

yesterday by mounting uncertainty over the country's political outlook. Stocks, bonds and the yen tumbled as investors braced themselves for weakness before parliamentary elections

called for July 18. The Nikkel index of 225 leading stocks lost 592.11 points or 3 per cent to a four-month low of 19,212.43, the 10-vear henchmark boad fell 0.38 points to urged early political stability.

106.91, and the yen declined 2.9 per cent from Friday's Tokyo close to

Business leaders expressed concern over the split in the ruling Liberal Democratic party. Mr Gaishi Hiraiwa, chairman of the Keidanren, the influential business leaders' federation, blamed political uncertainty for the fall in stocks and the yen, and pledged continued support for the LDP. Mr Sholchiro

While some analysts argued that Japan's surging trade surplus remained a case for another strengthening of the Japanese currency, Mr Geoffrey Barker, economist at Baring Securities In Tokyo, said waning hopes of early economic recovery meant the yen might

not rally soon. The weakening of the yen comes as a relief for many exporters, and may alleviate pressure on Mr Yasushi Mieno, governor of the Bank of Japan, to ease monetary policy further by cut-

ting the official discount rate. Equity investors blamed the Nikkel fall on a technical correction triggered by the political news. The Nikkel rose 24 per cent in the first four months this year, but has stalled over the past month amid uncertainty over the direction of the economy. Many investors felt prices had become overvalued and the Nikkei price/earnings ratio of 80 at the start of this month did not correctly

reflect gloomy prospects for corporate

### Nigerian poll appeal filed

The court order, which put

in doubt a plan by the ruling military to hand over to civilians, has left the country in political uncertainty.

order forcing the NEC to suspend announcement of poll results. Unofficial and incom-plete returns then showed Mr Moshood Abiola, a southern businessman, way ahead of Mr Bashir Tofa, a northerner and

# A senator far from the Cam, in the worst of jobs

HEN Mr Fernando Henrique Cardoso discovered that he had been named Brazil's finance minister, during a trip to New York as foreign minister, he jokingly asked for political asylum at Kennedy Airport.

Managing the world's ninth-largest economy is no easy task at the best of times but - with annual inflation of 1,500 per cent. an obstreperous Congress, and a mercurial president who has disposed of three finance ministers since December - it seems more like Mission Impossible.

"I think this is the worst job in Brazil, worse even than being president, as he can blame me," said the sociology professor and senator, in an interview with the Financial Times on his 62nd birthday. "But I will fight to the best of my

Although Mr Cardoso has kept smiling since taking office last month, he is acutely conscious of the weight of expectations upon him. The irony is that the man who, during the military regime of 1964-85 was persecuted by secret police, barred from lecturing and exiled to Chile, is now regarded even by the generals as the last chance for stabilising Latin America'e

largest economy.

If be succeeds, he would be a strong

contender for president in the election of December next year.

The difficulty of Mr Cardoso's task has been brought home since he announced his "Real Plan" last week. This, the seventh economic plan in as many years, is an orthodox programme aimed to balance the budget through a cut equivalent to \$6bn in federal government spending, a crackdown on tax evasion, continued privatisation, a new tax on cheques and an attempt to force the profligate states and municipalities to pay back some of the \$40bn they owe the federal government. In Brasilia, the plan is already being written off and likened to the Ten Commandments - "long inscribed and never

By way of listing just some of the troubles and woes - last week, the Congress failed to approve the cheque tax; alleging corruption, a congressional commission called for suspension of the privatisation programme; the health minister is refusprogramme; the hearth minister is retus-ing to accept cuts; state governors are claiming that the federal government owes them money and the Brasilia water and energy utilities turned off lights and water for government departments which have not paid their bills; one day before the final deadline, only 3.2m of Brazil's 52m

working population have filed tax returns. But Mr Cardoso is not one to desist. From first thing in the morning till last thing at night, he is engaged in a round of negotiations with politicians, ministers, governors and directors of state companies, using every ounce of his considerable charm in a valiant attempt to win them over and balance Brazil's budget.

ments now consume more than 60 per cent of the \$234bn hudget, due to last year's high interest rates on the government's domestic debt and the resumption of foreign debt payments.

He shrugs off doubts over his toughness, exacerbated by federal hand-onts last week to the local governments of Brasilia and Rio de Janeiro. "Just because I'm

"I will fight to the best of my abilities" -Fernando Henrique Cardoso, Brazil's new finance minister, gave Christina Lamb a flying interview

"Finally the government is admitting responsibility and trying to put its house in order," be says. "We must end this crazy situation where everyone owes

everyone and nobody pays".

Speaking on board his aircraft to São
Paulo, and clearly under strain, Mr Cardoso says he was shocked by the public sector accounts. "People must realise that we no longer have any choice but to cut, things are so bad". He points out that the federal wage bill bas increased 30 per cent over last year to \$18bn, while interest paypolite does not mean that I will cede," be laughs. "If Congress won't vote the cheque tax, then I shall go on television and tell people that this will mean closure of hospitals and schools."

To demonstrate his resolve, he sent a list of 1,000 alleged tax evaders to the courts yesterday. "It's important that the courts act - we need people to go to prison, examples to be made. The way things are et the moment, we don't need the Bahamas - Brazil is a tax haven." Mr Cardoso is also appealing to the justice

system to liberate money held in escrow. "It is too easy for businesses to get an injunction so as not to pay taxes. Billions of dollars are being held while our hospitals are in crisis."

The hardest battle, Mr Cardoso says, is with state companies, particularly state banks which have exceeded credit limits by 21 times to fund local government. Some banks "pay graduates \$6,000 per month. That's ridiculous - I'm a senator

and finance minister, and earn \$2,000!" Privatisation is seen as crucial to relieve pressure on the Treasury. The state steel mill Costpa alone is costing \$1m a day in interest and the steel sector has consumed \$12bn in the last decade, he claims. Investors are disappointed that no major

sell-offs have been announced, but Mr Cardoso explains: "There are already so many things on the list, such as the electricity sector and railways, that it is better to get on with those and do that well than raise new controversy. But we will sell the big

Brazilian inflation has now been stuck at more than 20 per cent a month for almost two years. Economists point out that, even if Mr Cardoso succeeds in menting his plan, it will not be sufficient to bring down inflation from current as spending pressures mount before the presidential, congressional and gubernatorial elections next year.

Joking that, "if I had tried heterodox measures they would have said I med orthodox," Mr Cardoso admits that he may have to take further measures. "I never committed myself to reduce inflation with this programe - I just promised to put the

house in order". But he insists that Brazil's situation is better than it looks: "We've become very defeatist but, in fact, if you ignore public accounts, then our economy is going well. The harvest is good, exports are \$40bn. reserves are over \$20bn, companies are well-capitalised and the economy should grow 3.5 per cent this year".

He is confident of securing a new accord with the International Monetary Fund, saying, "aren't we finally doing exactiv what they ask?"

Mr Cardoso denies he has presidential ambitions, saying he would prefer to return to Cambridge University, where he was, once a professor. Pointing out that he never even wanted to be finance minister, he asks: "If I really managed to clear up this mess, would I need to do anything

### Peru plea for aid on poverty

By Sally Bowen in Lima

PERUVIAN delegation beeded by Mr Jorge Camet, economy minister, hopes by the end of today to have secured pledges totalling \$100m to support the government's stepped-up poverty alleviation

Peruvian officials in Paris are lobbying representatives from 10 industrialised coun-tries and multilateral organisations with the message that the heaviest costs of the country's stabilisation and structural adjustment programme, applied since 1990, have fallen upoo Peru's poorest. Over 12m Peruvians (53 per cent of the population) are now classified as in "critical" poverty. In some rural areas, that percent-

age is higher.
The infant mortality rate, at 82 per 1,000 kive hirths, is the third highest in Latin America, behind only Bolivia and Haiti; 49 per ceot of Peruvian children under the age of five are suffering malnutrition, and rooms and health posts in



Osvaldo Chávez, aged 11, sweeps in front of his home by the garbage-clogged River Rimac in Lima

9,000 a year die of it. In many rural areas, only 20 per cent of houses have piped water and sewage. All this has fuelled disease, particularly the recent cholera epidemic.

Current poverty alleviation efforts involve a social fund known as Foncodes. It finances small infrastructure projects, mostly for drinking water and sewage installations, and for building simple class-

outlying communities. With Peru's economy now on a more even keel, the government of President Alberto Fujimorl is hudgeting between 1 and 1.5 per cent of annual gross domestic product for pov-erty alleviation. Foncodes is planned to receive the equivalent of \$500m between now and 1995 - \$200m from the trea-

sury, \$200m In multilateral

credits and \$100m in donations.

Peru moved a step nearer

Its target of a single, 15 per cent import tariff last week with cuts in duties on a range of luxury goods from 25 per cent to 15 per cent. About 97 per cent of all imports now

enter Peru at 15 per cent. The move was largely aimed at curbing continued high levels of smuggling. Once sales and luxury tax is added to the 15 per cent import duty, total tax may reach 60 per cent, making smuggling attractive.

through the country's wide-

spread corruption and near-

impenetrable bureaucracy to

Bangkok Expressway Co Ltd (BECL), a construction consor-

tium led by Kumagai Gumi of

Japan and financed by Thai

and foreign banks, signed a 30-

year contract to build and

operate the new road with the

state-owned Expressway and

Rapid Transit Authority (ETA)

With the first 20km section

of the road all but complete,

consortium members and lend-

ers accuse the government of

breaching the agreement on

several counts, especially by

refusing to allow the operators

to charge the Bt30 (78 pence) toll for cars clearly specified in

the contract; the government

keep the economy thriving.

# US Supreme Court upholds policy of forcibly returning refugees to Haiti

By Jurek Martin in Washington

THE US Supreme Court yesterday upheld the policy of successive US administrations authorising the forcible return of would-be refugees from Haiti intercepted on the high seas. Justice John Paul Stevens,

for the 8:1 court majority, said the policy did not violate US immigration policy or any international treaty. Justice Harry Blackmun, the sole dissenter, argued that the law was clear - "vulnerable refu-gees shall not be returned." The court ruling ends one phase of the controversy over

Haitian refugees. President Bill Clinton came to office promising to reverse the exclusionary policies of his predecessor, but changed his mind, citing the same humanitarian reasons as had President George Bush specifically the risk that many Haitlans in unseaworthy vessels would be lost at sea. An estimated 37,000 Haitians have

sought asylum in the US. However, two weeks ago, the Clinton administration softened its approach and decided not to challenge a lower federal court order that about 150 Haitians infected with the Aids virus be released from the US

naval base at Guantánamo. Cuba, and be allowed into the US pending processing of asyhim applications.

Simultaneously, the US has supported international mediation designed to restore democracy to Haiti following the military overthrow of President Jean-Bertrand Aristide in 1991. Further sanctions against the military regime in Port-au-Prince, including an oil embargo, may be enacted by the UN this week.

To some degree, the case of Haiti has been superseded by concerns over a new wave of illegal immigration from

China, Last Friday, Mr Clinton, appointed an expert in the field, Ms Doris Meissner, commissioner of the much criticised Immigration and Naturalisation Service, and promised new initiatives to halt the smuggling into the US of ille-

These will be aimed partly at the criminal syndicates apparently responsible for shipping poor Chinese to the US. They will also include speedier handling of asylum cases and possihly tha detention of suspected illegal immigrants pending resolution of their

### Guatemala's new president predicts end to civil war

GUATEMALA'S new president, Mr Ramiro de León, has announced a campaign against corruption and poverty, and predicted an end to the Central American nation's 32-year-old civil war, Reuter reports from Guatemala City.

In his first national televised address since taking office on June 6, Mr de León announced on Sunday the formation of a social investment fund and said the finance ministry would redirect government spending to battle rural poverty and finance a "massive"

literacy campaign. Mr de León was elected by Congress five days after the

ousting of President Jorge Serrano on June 1, and will serve until January 1996, when Mr Serrano's five-year term was due to end.

Mr Serrano was toppled one week after he had seized neardictatorial powers, and Mr de tamala's young democracy

back on track.

Pledging to fire and prose cnte government officials found guilty of corruption, Mr de León said programmes to eradicate poverty, human rights ahuses and injustice, León's Interim presidency is would win support from seen as crucial for putting Gua-country's leftist guerrillas. would win support from the

### **NEWS:** WORLD TRADE

# EC dumping of Kuwait farm produce upsets Hungary

By Nicholas Denton in Budapest

EUROPEAN Community leaders are to decide at their Copenhagen summit this week to speed the common market's opening to central-east European farm produce.

But the more pressing issue is unfair dumping of western grain and meat in Russia and the Ukraine which is crowding out exports from Hungary, Poland, Romania and Bulgaria. according to a Budapest offi-

"For east European agriculture the real problem is here, the real problem is not the said Mr Gyorgy Rasko, state secretary at the Agriculture Ministry of Hungary, eastern Europe'e largest food

Budapest welcomed the EC's "very fair offer" to modify its association agreements with the central-east European countries and shorten the fiveyear timetable for lowering

farm trade barriers. Hungary claims, however, that French wheat is sold at the Baltic ports at \$90 (£60) a tonne which could not even cover half the costs. Germany has also increased subsidised exports of beef to the former

Soviet Union while Hungarian deliveries of beef have fallen to a tenth of their 1980s level.

We cannot compete at dumping prices," said Mr Rasko, citing Hungary'e budget problems and low agricultural subsidies. The Organisation for Economic Co-operation and Development estimates a "producer subsidy equivalent" for the EC of 45 per cent, while Hungary's has fallen from more than 30 per cent in the 1980s to 8 per cent in 1992 and a forecast 6 per cent this

The former Soviet satellites have suffered drops in produc-tion of 25-40 per cent from the 1980s level as domestic demand has fallen with their economies and subsidised western produc-ers have muscled in to markets in Russia and Ukraine.

Concessions envisaged on access to the EC market cannot immediately compensate for lost market share in Russia and Ukraine because centraleast European farmers cannot shift deliveries smoothly.

Producers are strong in the mass commodities which they aold in the former Soviet Union, and processed food is generally of too low a quality to make much headway in

# chemicals plant to go ahead

of the US to construct and operate a KD700m (£1.5bn) petrocbemical complex at Shuaiba, near Kuwait City.

The complex, due to be com-pleted by 1997, will be the most important petrochemicals complex in the country. It is expected to heve an annual ethylene capacity of about 650,000 tonnes a year. Production will be based on ethane.

include 350,000 tonnes a year of ethylene glycol and 450,000

Marketing Associates, tha

### THE THAI government's decision recently to flout a \$1bn contract for an elevated motorway in Bangkok has unsettled international bankers and will make it

By Paul Abrahams

harder to finance planned KUWAIT has signed an agreement with Union Carbide infrastructure projects worth at least \$30bn, bankers and businessmen say. The row over the so-called "Second-Stage Expressway" has undermined the reputation of Thai technocrats for being able to muddle their way

Downstream capacity will

tonnes a year of polyethylene. The complex will present further difficulties for Europe's hard-pressed petrochemicals industry, where there is overcapacity and most plants are operating at a loss. World average ethylene capacity for 1993 estimated at 73.9m tonnes, while demand stands at 63.3m tonnes, according to Chemical

Houston-besed consultants.
The joint venture, which took more than a year to negotiate, will be 45 per cent owned by Kuwait's Petrochemical Industries Company, 45 per cent by Union Carbide and 10 per cent by private Kuwaiti

# Thais make a mess of their muddling

Motorway contract row unsettles investors, write William Barnes and Victor Mallet

SEVENTH NATIONAL PLAN INFRASTRUCTURE PROJECTS ~ 1992-1996 All energy-related projects Bangkok 2m telephone lines Nong Ngu Hao International Airport Hopewell elevated rallway (60km) Provincial 1m telephone lines 1992-96 MRTA Skytrain (19km) Second stage expressway (40.5km) Provincial highwaya Tanayong electric train Third stage expressway (31km) Ekamal-Ramindra expressway ( Don Muang tollway Optical fibre network Thailand national satellite project

Source: Board of Investment Review, Vol 2 No 1

foreign banker involved in the "No one plays around with project financing deals, not the Philippines, not China, no one, because they know that if they do, then at the very least it will cost the country more to get funding in the future," be

Thailand has a record of military coups and rapid changes of government, and projects approved by one government have often been dismissed or altered by the next on the grounds of corruption or

says the toll will be 20 baht. "If we had known that these unsuitability. But the expressway decision would have been the terms of is unusual because the breach of contract is so blatant and the contract there would have because it has infurlated the been no deal and no money. Japanese, the leading foreign chase of land. It's as simple as that," said one

investors in Thailand. For once the Thais cannot claim that the dispute results from the failure of inflexible westerners to understand the "Asian way"

of doing business.

Even before the second-stage expressway row came to a head another Japanese construction group, Obayashi, decided to throw in the towel after more than two years of negotiations to build Bangkok's third-stage expressway. Bankers to Obayashi said the

company was bewildered by the number of government agencies responsible for road transport, which forestalled any agreement on a route for the road and made it impossihie to raise money for the pur-

tollway - which runs between central Bangkok and the airport - is running into financing problems because its bankers are loath to lend more money for cost overruns during a continuous battle with the government over the terms of the contract. The government of Thai-

land is considered less and less a reliable partner and that makes it difficult to get money," says Mr Hans Roth, Don Muang Tollway's general Foreign bankers have also given a lukewarm reception to

a project by Tanayong, a local property company, to arrange the building of an \$880m elevated railway. Mr Chai Na Sylvanta, vice-president of Bang-kok Bank and financial consultant to the project, has been quoted as saying that foreign bankers will not lend money to the scheme until the government honours the second-stage expressway contract. With the Thai economy growing at more than 7 per

cent a year, billions more dollars from foreign and local investors are needed for everything from power stations and telephone linas to sewage works (see table).

A deal to open the secondstage expressway is likely to be worked out in the end - one possibility is that the Thai banks will buy out the foreign

Meanwhile, the \$500m, two investors - hut much damage thirds completed Don Muang to Thailand's reputation has already been done.

Senior government ministers admit they are failing to adhere to the letter of the contract, but remain unrepentant. They say traffic flows will be doubla the original predictions and insist that they will protect BECL, and therefore the foreign creditors, hy giving the consortium its original cut: Btis per car or 60 per cent of the agreed Bt30 toll.

But with the toll at Bt20, that leaves only Bt2 per car for the ETA, crippling for an organisation which is supposed to buy more land, co-operate with BECL for future sections of the new expressway and repay previous loans to Japanese and other creditors. The ETA would have to be subst dised by the state.

The coalition government'e justification for breaking the contract is that Bangkok's motorists would be angered by high toll fees, but most of its MPs were elected on a platform of helping the poor and redis-tributing wealth to the prov-

Apparently to appease the Palang Dharma (Moral Force) party, which is part of the coalition and has strong support in the capital, the government has decided to make taxpayers throughout the country help pay for the new road. It has managed to infuriate for eign investors in the process.

# Chinese delegation on Gulf tour

By Lynne O'Donnell in Beijing

MR LI LANQING, a Chinese vice-premier. has begun a tour of the Gulf region at the head of a delegation aimed at cementing trade ties that last year were worth more than \$2bn (£1.3bn).

Mr Li will be accompanied by officials of some of China's leading trading and industrial companies, including the China National Petroleum Engineering Construc-Mr Li told the official Business Weekly that his delegation would meet counter-

parts in Iran and member states of the Gulf Co-operation Council to discuss trade. labour co-operation, contract engineering and investment. The paper quoted figures from China's

Ministry of Fcreign Trade and Economic Co-operation showing trade between China and members of the GCC - the United

Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain and Kuwait – grew hy more than 20 per cent in the first quarter

were worth \$1.1bn; imports reached \$600m. Trade with Iran topped \$400m. Mr Li told Business Weekly that current trade volume was small compared with "the huge potential". China'e need for oil products matched market opportunities in Gulf states for textiles, foodstuffs, light indus-trial goods, technology and machinery

(Gatt), Reuter reports from Beijing. Mr Liu Shanzai, vice-minister of foreign

trade and economic co-operation, said the

import buying plan would stretch over the

compared with the same period last year. China's exports to GCC states in 1992

manufactured in China, he said. China announced a \$30bn shopping list for technology imports yesterday which it hopes will boost its drive to join the General Agreement on Tariffs and Trade

next seven years and include equipment for projects in agriculture, infrastructure and energy. "This is a concrete step by the Chinese

government to enhance the transparency of foreign trade policy in line with the requirement of resuming contracting party status in Gatt." Mr Liu told reporters. The announcement, made jointly by the

ministry and the State Planning Commission, was the first time Beijing has publicised state buying plans so far in advance. Mr Lin said the import scheme was valoed at about \$30bn, most of which would be funnelled into purchases for capital construction projects and technological

The ministry plan covers 210 projects ranging from irrigation networks and hydropower stations to roads, barbours, airports, optical fibre communications systems and education programmes.

# Europeans provide 3m US jobs

By Nancy Dunne in Washington

EUROPEAN affiliates in the US provide jobs for 2.9m Americans, more than the subsidiaries of all other nations combined, according to a recent report by the Washington-based European-American Chamber of Commerce. The affiliates account for 7 per cent of all US manufacturing jobs, and pay higher wages on

average than US companies. A boom in employment hy Europe's American affiliates in the 1980s drew littie attention compared with the alarm raised by Japanese takeovers and investment. By the end of the decade, European owned companies employed more than 10 per cent of the labour force in New Jersey, West Virginia, South Carolina and Maryland. At the same time, employment by European subsidiarles has surged in Calif-ornia, Texas, Indiana and Florida.

Despite the benefits of European investment, the three-year-old European-American Chamber and other business groups are kept busy countering discriminatory measures in Congress, where anti-foreigner sentiment has been subdued but not eradicated with the fallin Japanese investment.

"There is still concern that the US is not in control of its own economic destiny, said Mr Willard Berry, president of the Chamber. "But those who propose policies that upset the European-American relationship may find that they are biting the hand that feeds their fellow Americans."

Many European affiliates have been in the US so long that their American customers are barely aware of their overseas ownership. However, Congress has repeatedly demonstrated its refuctance to share with foreign offspring the benefits it grants to American companies. Nor is it

above employing the benefits as leverage

to force foreign markets open. The National Co-operative Production Act of 1993, passed this month, relaxes antitrust treatment for companies doing joint production ventures. American subsidiaries of foreign companies are eligible for this benefit only if the principal facilities of the production joint ventures are in the US. The act also makes national treatment conditional on similar opportunities being made available in the country of the parent company.

Foreign business lobbyists worry that the act has set a daugerous precedent. They are particularly concerned that their companies will lose out in the Clinton administration's much touted businessprivate sector relationship and the millions of dollars of government aid to be poured into industry consortia for research and development.



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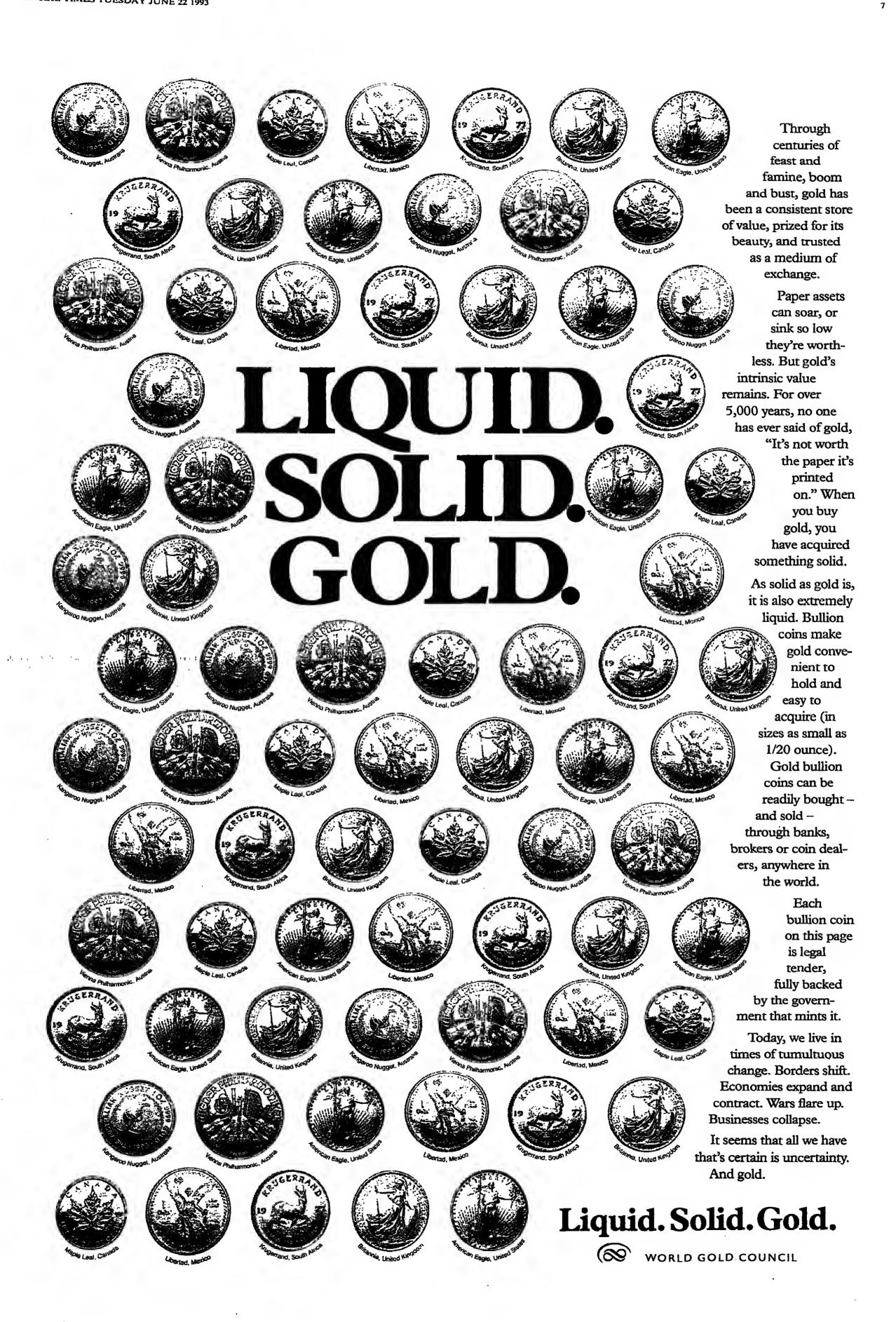
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Illness of key cabinet member seen as possibly damaging to government in difficult times

# Heseltine suffers heart attack on visit to Italy

By Alison Smith in London and Robert Graham in Rome

MR MICHARL RESELTINE suffered a heart attack yesterday, depriving the government temporarily of one of its most powerful figures.

Mr Heseltine had been on a two-day holiday in Venice with his wife Anne, when he complained of chest pains, shortly before 3am yesterday. He was admitted to hospital and was yesterday undergoing tests. He was said to be sitting up and

for the government, which has recently suffered a string of misfortunes and political disastere throughout which Mr Heseltine had proved a powerful advocate

The trade and industry secretary had been due to finish a set-piece House of Commons debate tonight on the difficult subject of Tory party funding, and party managers were relying on his oratorical ability to unite and rouse the Conservative rank and file.

The debate will now be con-

His illness is a further blow cluded by Mr Tony Newton. the leader of the Commons. who lacks Mr Heseltine's skill

at rallying the party. Downing Street said that Mr John Major had been told about Mr Heseltine's illness early yesterday, and had sent flowers and good wishes for a speedy recovery. In Copenhagen for the Euro-

pean Community summit, Mr Major said: I have sent Michael a message. I hope he will soon be well and will soon be

back at work." At Westminster, colleagues known for his resilience and a long political career.

Mr Heseltine's official diary has been cleared for the rest of this week, with his junior ministers sharing extra work last night said that the condibetween them. But no one expects him to he able to resume the full range of his duties immediately after that.

Any longer term decisions about his official work will await the results of further

tests on the 60-year-old minis-

most senior minister at the stamina under pressure during department and is expected to represent Mr Heseltine at ministerial meetings for the time

> Hospital officials in Venice tion of Mr Michael Heseltine presented no serious complications following a minor heart

> attack on Sunday night.
>
> A spokesman for Venice's main city hospital said Mr Heseltine was recovering in an intensive care unit of their cor-

were shocked by the news, ter. Mr Tim Sainsbury, the onary department. But the since Mr Heseltine was widely trade minister, is the next spokesman ruled out any suggestion that the heart attack was serious or that there was cause for concern about the minister's health.

Neither the hospital or British embassy officials in Rome were able to say how long Mr Heseltine was likely to spend in hospital.

Two British doctors are said to have visited Mr Heseltine in hospital yesterday afternoon. His friends hope that he may be able to return to the UK

### south Wales Aiwa (UK), the subsidiary of the Japanese audio and video equipment company, is to double the size of its south Wales plant in a £27m expansion which is expected to create 480

jobs. The plant, at Crumlin, Gwent, is Aiwa's only European factory but there was competition for the investment from other countries, especially Malaysia. It is the single higgest Japanese investment project in Wales for more than

Britain in brief

Aiwa in big

expansion in

two years. The investment, announced yesterday, is hecked by regional selective assistance from the Welsh office and the Weish Development Agency.

### Union warns Nestlé on hours

The Amalgamated Engineering and Electrical Union warned that Nestlé could be heading for confrontation if it tries to force the introduction of annualised hours at its Findus frozen foods plant in Newcastle. The plant, one of 26 UK Nestié factories, is the first in the country at which Nestlé has proposed moving from conventional shiftworking to an ann-

nalised hours system. A Nestlé spokesman declined to discuss the proposals in detail but said; "We are baving operational changes to cut costs and increase manufacturing flexibility."

### First RSI case settled

The first case involving a journalist suffering from RSI repetitive strain injury · has been settled out of court.

Mr Mark Woods, of solicitors Stephens Innocent, a law firm representing journalists suffering from the disorder, said Mr Paul Allonby, a former journalist on the Sunderland Echo had received an out-ofTRA Im

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court payment.
Mr Allonby, who has not suffered permanent disability and has since moved on to a hetter paid job, received £3,500 - £500 towards loss of wages.

### Texaco joins PRT debate

Texaco added its weight to the lobby against the government's proposed changes to North Sea taxes yesterday in a letter in

MPs. Mr Don Bennett, managing director of the US oil company's UK arm, said that amendments to the changes suggested by the Treasury last week were unnecessarily expensive and woul not have their stated desired effect of saving jobs in the service sec-

The company's letter came as the finance committee prepared to debate the government's changes to Petroleum Revenue Taxes today .

The government has proposed cutting the PRT rate from 75 per cent to 50 per cent and abolishing tax relief on exploration work. The Treasury has suggested an amendment that would provide short-term aid for the worst affected companies. British Petroleum and Shell along with other large oil companies have supported the PRT

### Shop rents stop falling

Shop rents have stopped falling and are likely to rise by at least 5 per cent next year, according to a study by Erdman Lewis, property consultants, which forecasts that the out of town sector will see the sharpest rent increases - 7 per cent in 1993 and 1994.

### US supplier to open plant

Johnson Controls, the US motor components supplier. is setting up fts second factory in the UK with a £10m investment in a new plant to make seat foam pads at Wednesbury. West Midlands. The new plant, opening in July 1994, will employ 130 people initially and

# Pressure grows for reform of UK political funding

By Philip Stephens and David Owen

MR JOHN MAJOR'S pointed refusal to offer public backing for Mr Michael Mates last night reinforced the impression that the prime minister is now ready to accept the resignation of his embattled Northern Ireland minister.

Mr Mates is under pressure over his links with the fugitive financier Mr Asil Nadir, while his party is being attacked by the opposition over its system of funding - a system which allowed substantial donations

by Mr Nadir. Last night Mr Major is understood to have talked to Mr Richard Ryder, chief whip, in charge of party discipline, about the "mood of the party"

With few Conservative backbenchers prepared to support Mr Mates in public or in private, the feeling was growing at Westminster that the minister's future may be settled when the powerful 1922 executive of Tory rank and file MPs meets on Thursday, if it has not been settled before.

Labour will use a full-length debate on Tory finances today to endeavour to keep up the pressure by claiming that the revelations that have so far

of the iceberg. Mr Robin Cook, trade spokesman, said that it was not enough simply to throw Mr Mates to the wolves. Meanwhile, senior Tory backbenchers added their voices to calls for reform of the law governing the way in which large donations are declared. Mr John Biffen, a former cabinet minister, said he

favoured requiring donations to be registered by the recipient rather than the donor. As the croes-party home affairs select committee of MPs continued its inquiry into the funding of political parties, the Liberal Democrats argued for the introduction of state funding "broadly related" to the votes a party sined in the pre-

vious general election. The introduction of state funding should go hand in hand with curbs on the national expenditure of parties

in elections," the party said. Sir Norman Fowler, the Tory party chairman, tried to carry the attack to Labour: "We will return any money we have received which is proven to be stolen. Will Labour promise the same if the tens of thou-sands of pounds John Smith admits they received from Rob-ert Maxwell prove to be sto-

# A plague on all our houses

As corruption scandals hit Europe and Japan, David Marsh examines the rules covering disclosure of political donations

he ancient plague of corruption has seldom claimed a wider crop of victims around the industria-lised world. The entanglement of businessmen and politicians in dubious cases of party financing is making headlines not just in Britain, but also in the rest of Europe and Japan. Public opinion appears to have become less tolerant of networks of patronage and influence linking hig companies and political institutions.

A long-simmering controversy over illicit donations is one reason for the downfall of Mr Kilchi Miyazawa, the Japanese prime minister, who was forced on Friday to call an early election.

In France, the Socialist party's involvement in fraud and illicit funding contributed to the party's crushing election defeat in March.

In Italy, big business has provided the ruling Christian Democrat and Socialist parties with hidden funding through kickbacks on public sector contracts. Thanks above all to the judiciary's new-found tenacity during the last 18 months, this system of institutionalised cor-

ruption has now been exposed. Different countries react in different ways to evidence of financial malpractice. In a ref-erendum in April, Italians voted to ban state financing of

diminishing corrupt influences.
The UK, by contrast, is one of the few European countries where political parties have no general recourse to public finance. The opposition Labour party has been urging for some time that parties should be given public cash to avoid undue dependence on outside donors, claiming the present

open invitation to corruption". In theory, most other industrialised countries practise more rigorous rules on disclosure of political donations than those in force in Britain, However, the regulations are often applied with a notable absence of rigour.

opaque British system is "an

In Japan, political parties and organisations have to make an annual report of income and spending. Contrib-utors who provide more than Yim annually - Y10,000 when the donor itself is a political

party - must be named. The reports are also supposed to name recipients of more than Y50,000 a year. Clearly, however, there are plenty of loopboles.

Mr Shin Kanemaru, the former paymaster of Japan's ruling Liberal Democratic party, was charged earlier this year with evading taxes linked to receipt of funds from construction companies. Yesterday, an

political parties as a way of official report in Tokyo said he thought to represent only failed to declare Y1.85hn (\$16.7m) he received in kickbacks and donations from companies seeking favours.

In 1954 Germany became the first European country to introduce public financing for political parties. After scandals at the beginning of the 1980s surrounding clandestine dona-tions by companies led by the Flick industrial group. German parties are now required by law to publish annual reports listing individual donors providing more than DM2,000 a

owever, many Germans believe the shift towards state financing has been overdone. State hand-outs to the parties are now estimated at DM1.4bn (\$840m) a year. In reaction to public complaints at such lavishness, a commission under President Richard von Weizsacker recently proposed tighter limits on access to state

In Italy, Italian parties are legally obliged to provide annual accounts. However, these substantially understate the true level of their financial transactions. Italian parties' official spending figure of L306bn (\$203m) last year (of which just over one-third came from the public purse) is

about 10 per cent of expendi-tures on all forms of party political activity. In France, laws on disclosure

have been tightened, with all parties now obliged to furnish full accounts. The Socialist party is believed to have been involved in large-scale illicit money-raising schemes up until the early 1990s. However. such affairs have not been limited simply to the left. Mr François Léotard, a prominent conservative who is now defence minister, was caught up last year in allegations linked to land purchases in his constituency.

In Spain, donations by individuals or corporations are subject to a ceiling of Ptalm. Parties rely for a substantial portion of their funding on quarterly payments from the state, depending on the parliamentary representation.

In recent months, however, evidence has surfaced of how the rules can be sidestepped. Spanish tax inspectors have uncovered dubious contributions of Ptalhn (\$7.9m) received by the Barcelonabased Filesa group, some of which appear to have been channelled to the Socialist party to cover its expenses in the 1969 general elections.

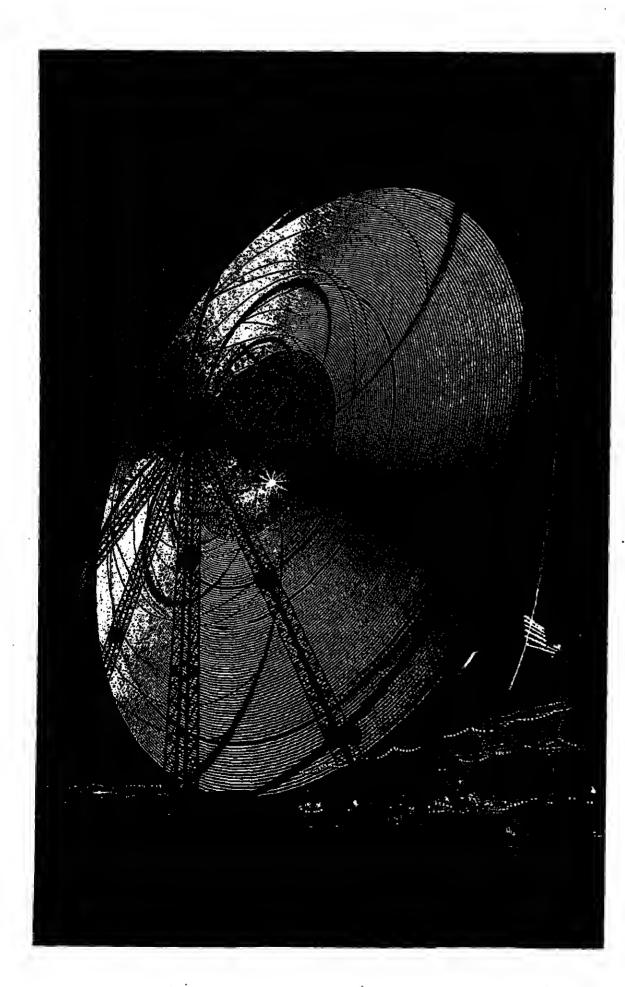
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### TRADE FIGURES

# Imports revive worries over trade deficit

government statisticians.

on non-EC oil trade.

est three month period.

from £2.89bn the year before.

Optimism among UK con

ing to the latest consumer con-

the opinion poll company, writes Peter Norman.

The survey, carried out between June 2 and 15 for the

European Commission, found

that only 30 per cent of the 1.981 adults interviewed expec-

ted Britain's general economic

situation would improve over

The resulting halance of

confidence was 22 percentage

Economics Correspondent

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> IMPORT volumes from countries outside the European Community rose sharply at an underlying level last month, reviving worries that the trade deficit might worsen in the

> later stages of a recovery. Excluding oil and high-ticket items such as gems and air-craft which distort trade pat-terns, seasonally adjusted import volumes rose 0.6 per cent in May compared with April, the Central Statistical Office said yesterday.

Underlying export volumes to countries outside the EC slipped back slightly in May though remain at high levels, thanks to many types of UK manufactured goods being more competitively priced due to sterling's devaluation.

In terms of value, the overall trade account last month benefited from the first non-EC monthly surplus on oil for five years and also from high exports of erratic Items.

These trends pushed the trade deficit with non-EC nations to £769m last month, down from a revised £901m in April and the lowest deficit since September.

On an underlying basis, the trade deficit last month for nations outside the EC was £846m, up from £785m in April. Trade figures for the EC are not available at present while statisticians iron out a new system for collecting the data. In volume terms, the under-

lying level of non-EC imports In the three months ending May 31 was up 2.5 per cent compared to the previous three months, and up 14 per cent on the same time last year.

On the same basis, exports in the most recent three month period were up 6 per cent com-pared to the three months ending in February, and 12 per cent up on a year ago.

Last month, underlying minus I measuring consu export volumes slipped 3 per confidence was 22 percent on a high April figure points below May's result.

### Spinners bowl Australia to win

NEWS: UK



Exit Chris Lewis, with a pat on the back from Alec Stewart, while Australia celebrate at Lord's

Spinners Tim May and Shane Warne bowled Australia to a crushing victory over England, and a 2-0 series lead, in the second Asbes test at Lord's

the next 12 months while 31 per cent thought it would Off-spinner May and legspinner Warne shared eight wickets as England crashed by an innings and 62 runs on the minus 1 measuring consumer fifth and final day. May captured four for 81

and Warne four for 102 as England were all out for 365 shortly before tea, having followed on 427 behind.

Australia's triumph makes them odds on favourites to retain the Ashes in the six-test series against an England side who have stumbled from one wretched performance to another during the past year. Graham Gooch's team have

now lost their last seven tests, five under his captaincy and two with Alec Stewart in charge, and face the need for significant changes to halt one of England's worst sequences in modern times. Resuming at the overnight 237 for three, England lost Mike Gatting for 59 early on and after that only Graeme Hick and Stewart

### LABOUR MARKET LEGISLATION

# Employment bill is child of political agenda

By David Goodhart, Labour Editor

THE Trade Union Reform and Employment Rights Bill - the government's eighth major piece of labour market legisla-tion - which has just completed its passage through par-liament, is the child of a political rather than a business

Bnt it does continue the main themes of previous legislation - labour market deregu-

behaviour of trade unions. The most controversial piece of deregulation is the abolition of wages councils, which set minimum pay levels in certain

The abolition of the councils makes Britain the only European Community country without some form of minimum wage protection either through legislation or collective bar-

The law, which will get royal assent in July , departs from earlier legislation in two

highly detailed regulation of the daily running of unions,

which remain voluntary.
Although previous legisla-tion has required unions to change their behaviour - in relation to strike ballots for example - the new law includes such things as a requirement to notify the Certification Officer (who regulates unions) of the pay of top officials and gives the Officer new powers to investigate union finances.

vided by the Lightman Inquiry into the National Union of Mineworkers, while further rulings on how to conduct elections arose from ballot-rigging in the 1990 TGWU executive

The second main departure is found in the reversal of the long-standing assumption that collective bargaining is to be encouraged. The requirement of Acas, the conciliation service, to promote collective bargaining has been dropped, and

possible for employers to offer inducements to employees to accept individual contracts. The government policy paper, on which the law is

based, hinted at the government's interest in s broader framework of individual rights at work to supersede collective bargaining. This is supported by some employers groups. But apart from integrating EC law, it is unlikely that any major legislation will emerge in this area for some time.

# A-Z of the new law for employers, workers

The Trade Union Reform and Employment Bill

nternal union affairs: Rules tightened on bow union members vote on the use of political funds, mergers with other nnions, and for executive posts. Greater use of independent scrutineers in elections. No public funding of

ballots after April 1 1996. Pay and benefits of union leaders to be notified annually to Certification Officer, who will have new powers to investigate finances. Union members will be entitled to written information on finances.

Membsrshlp: Individuals will have the right to join the union of their choice unless membership is limited to an occupation or skill. Unions will no longer be able to exclude individuals because of "no poaching" Intsr-union agree-ments, such as the TUC Bridlington rules.

Employers will be able to pay more to individuals to secure changes in bargaining arrangements, allowing employers to pay extra to those who sign personal contracts and give up collective bargain-

continues the trends of market deregulation and trade union restriction. Diane Summers explains what it means in the workplace and on the board Deduction of dues: Employers and details of the result. Seven will have to get written agreedays written notice will have

ment at least every three years from individuals if union subscriptions are to be deducted from wages under "check-off" arrangements. Increases in deductions will have to be notified at least a month in advance by employers, accom-panied by a reminder that they can withdraw from check-off at any point.

Industrial action: Union industrial action ballots will have to be conducted fully by post. Where 50 or more are voting, ballot will have to be independently scrutinised.

Unions will have to give employers at least seven days written notice of intention to ballot on industrial action, plus a description of which workers are to be balloted. Employers must get a sample voting paper

to be given hy unions of intended industrial action, dates of action and description of which workers are likely to be involved.

Any individual deprived of goods or services by unlawful Industrial action will be able to bring legal proceeding to restrain the action.

aternity leave and rights: Pregnant employees, regardless of length of service or hours worked, will have right to 14 weeks maternity leave. All women to be protected against dismissal on maternity. related grounds.

Changes during passage of bill include rules affecting the notification required by a woman of her intention to return to work.

Wages councils: Remaining wages councils, which fix minimum pay, are to be abolished. Makes Britain only EC country without some form of minimum wage protection.

Victimisation: All employees will be able to go to an indus-trial tribunal if dismissed for carrying out health and safety duties, or leaving a work area if in imminent danger. Employees will have a new right to complain to an industrial tribunal if dismissed for asserting statutory employment protec-tion rights.

Transfer and rednindancy: Transfer of undertakings regulations will be extended to include non-commercial undertakings. Any employee refusing to transfer will be deemed to have left the job voluntarily.

Tribunals: Chairmen will be sble to sit without lay members in some circumstances and hear breach of contract of employment. Identities of par-ties in cases involving sexual misconduct are to be protected.

Careers service: Responsibility for careers service moved from local education authorities to secretary of state.

7 ritten employment

particulars: After two months in a joh an employee must be given a written statement of main employment particulars (is currently 13 weeks after starting job). Many particulars in collective agreements, including bours and holidays. will have to be spelled out to individuals. Changes must be notified within a month. All employees working more than eight hours a week will be entitled to an itemised pay statement. In companies with fewer than 20 employees, those workiog 8-16 hours will have to complete five years' qualifying service before entitled.

### MINISTRY OF ECONOMY **AND PUBLIC WORKS AND SERVICES**

YACIMIENTOS CARBONIFEROS FISCALES **EMPRESA DEL ESTADO (YCF). INVITATION** TO NATIONAL AND INTERNATIONAL PUBLIC BID, WITHOUT BASE PRICE, FOR THE INTEGRAL CONCESSION OF SUCH **EXPLOITATIONS AS ARE CURRENTLY UNDER** CHARGE OF YCF.

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ENQUIRIES ABOUT THE BIDDING TERMS AND CONDITIONS AND DOCUMENTS THERETO ANNEXED: At THE NATIONAL SECRETARIAT FOR ENERGY, located at 171 Paseo Colón Ave., 6th. Floor, Federal Capital City of Buenos Aires, Republic of Argentina, from Mondays through Fridays, 10.00 a.m. Io 5.00 p.m.

SALES OF BIDDING TERMS AND CONDITIONS: At THE NATIONAL SECRETARIAT FOR ENERGY, 651 Julio A. Roca Ave., 5th. Floor, Sector 27, Federal Capital City of Buenos Aires, Republic of Argentina, Irom Mondays Ihrough Fridays, 11.00 a.m. to 01.00 p.m., and 01.30 p.m. to 3.00 p.m.

VALUE OF BIDDING TERMS AND CONDITIONS: U.S. DOLLAR FIVE THOUSAND

SUBMITTAL OF TENDERS: Envelopes "A" and "B" shall be submitted until 30.06.93 at 05.00 p.m. at the MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES, located at 250 Hipólito Irigoyen St., 5th. Floor, Microtheater, Federal Capital City of Buenos Aires, Republic of Argentina. Envelope "A" shall be opened on the same date.

ENVELOPE "B" OPENING AND PRE-AWARD: Envelope "B" shall be opened on 26.07.93. Pre-award shall take place on 10.08,93. The contracts shall be entered into with the Concessionaire Corporation, currently under incorporation formalities, and with the Pre-Awardee on 10.08.93.

AWARD BY THE NATIONAL EXECUTIVE POWER AND BEGINNING OF PERFORMANCE OF CONTRACTS PERTINENT TO YCF "INTEGRAL CONCESSION": Record of Delivery of assets subject to the Integral Concession shall be executed on 31.08.93 at 12.00 a.m., with execution of the contracts starting

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# MANAGEMENT: THE GROWING BUSINESS

Charles Batchelor looks at new export restrictions on

machinery, in a continuing series on red tape

# Caught in the crossfire



Broach Company, a manufacturer of specialist cutting tools, has spent the past few years huilding up exports. But in the wake of the Guif war and

the Matrix-Churchill "super gun" affair, the government tightened up the rules on the export of machinery that could be used to make armaments. These tough new restrictions could undermine that hard-won busine

The need to obtain approval for exports threatens to stretch delivery times from between six and eight weeks to 16 weeks and more, says Glyn Ridley, managing director of the Rathy, Leicestershire-

based company.

Two recent shipments to long-established customers were impounded by Customs & Excise at Heathrow Airport on the grounds that export licences were needed under the Export of Goods (Control)

"I can't believe these regulations were designed to stop companies like ourselves," says Ridley, who

wo years ago Megatech Soft-ware, a distributor of other people's computer software,

was in steep decline. The recession

had slasbed demand for its prod-

Largely due to an aggressive pric-

established itself as number two in

the accountancy software market

Theo van Dort, founder and man-

aging director of the Wandsworth,

south London-based company, had

a compnting rather than an

accounting background. But his

with a system of its own design.

cut from 15 to four.

from Brooke Tool Engineering last Fehruary. Cardinal Broach exports 20 per cent of its £5.5m turnover and employs 128 people in Rathy and Biggleswade.

Most export orders won by Cardinal Broach are worth less than 25,000 - a large order might amount to 220,000 - ao the paperwork involved in applying for licences every time would be a nightmare, comments Ridley.

"Our customars will hay from other European Community competitors who do not subject them to the need for extraneous documenta-tion," he warns. "The essence of exporting is to make it as simple as possible for the customer to buy

The problem for Cardinal Broach is that its tools, which fit on to machine tools to cut intricate forms in high volumes, can be used in a range of applications, from the food industry small arms manufacture.

It sells to 34 countries, many of them on the list of those covered by the legislation, and to companies in the fields of aircraft engine manufacture, vehicles, general engineering and armaments.

Sales depend on providing a fast response to customer inquiries and a high level of service, saya Ridley. The company responds to customer inquiries within two days and delivery is normally made within six to eight weeks.

Under the naw rules, Cardinal Broach must ask its customers to supply an end-use certificate, explaining what the tools will he used for, and then apply to the DTI for an export licence

Only when this has been granted can it start to manufacture the con-

Coping with this delay would not pose serious problems on products such as machine tools, where there can be a lead time of several months. But on consumable cutting tools, which are used and then dis-carded, and where delivery times are very short, it can strangla husi-

"The delay will effectively destroy all our previous work in developing these markets," says Ridley, who has complained to Michael Heseltine, trade and industry secre-



Giyn Ridley: I can't believe these regulations were designed to stop companies like ourse

Cardinal Broach claims market leadership in the UK hut faces tough competition from Germany. Italy, France, Spain, the US and tha

The two consignments held up at Heathrow are destined for projects where the main supplier, one UK and the other German, have already obtained export approval, says Rid-

He suggests that a solution would be to grant long-term export approvals for particular projects which would avoid suppliers having to re-apply for permission for each ship-

"We have developed overseas markets in recent years, often at quite considerable financial cost,"

Ridley comments.
"Wa were happy to take this supense on board, thinking they would result in a stronger company with a wider customer base. I can't believe the legislation was designed to catch companies like us."

The Department of Trade and Industry said that it could provide initial guidance to axporters on whether controls apply in particular Once an order has been obtained,

the more information the exporter can provide the more quickly the case can be considered. If a company obtains repeat

orders it may not need to apply for an export licence each time, the DTI

Previous articles in this series appeared on May 11, April 5, Febru-ury 9, January 26 and December 15.

highlighting businesses entrapped by red tape, it will award a bottle of Laurent-Perrier pink champagne to each

es are invited to describe their es - on no more than two sides of A4 please

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# Pricing policy pays off

ncts and staff numbers had been small husiness owner. A leature of the programme is the ease with which changes can be made if an ing policy, Megatech bas since incorrect figure has been entered.

Despite an enthusiastic reception by the computer press TAS Books sold painfully slowly in the first few months after its launch in August 1991. "At a price of £399 we were only giving away demo copies," says Charles Francis, sales and marketing manager.

In desperation Van Dort cut the experience of using accounts in his own business and of "anglicising" price to £99. Advertised as £399 American accounting systems gave system with £300 off, TAS Books him the background to devise TAS began to pick up sales, from 200 in November to 300 in December and The system and its handbook or 500 in January 1992. The price was "tutorial" were intended to be attractive but some accountants readily understandable by the were still cantions about anditing because of its novelty. To overcome this resistance, Van

Dort obtained the recommendation of the Institute of Chartered Accountants in England and Wales for his system last June. Sales resumed their npward trend and have since held at between 800 and Megatech currently ranks second

in the accounting packages market alongside larger, long-established companies. It took a 17 per cent share in the first quarter of 1993 after Sage with 56 per cent and before Pegasus with 7.5 per cent. according to Romtec, an independent company which compiles market data. Megatech's sales were

£100,000 and staff numbers have

User support can be a significant cost in the computer business. A clearly written manual keeps down the number of customer inquiries but Megatech's five-strong support staff still handle between 650 and 1,000 inquiries a week.

Megatech has held its price at 199, opting to take a smaller margin on high volumes, and selling by mail order. Customers are more confident than a few years ago about buying software through the post and the low price encourages huyers to take a chance. Waverers are encouraged by a 30-day moneyback guarantee.

Van Dort says his low-priced package has expanded the market place and not prompted retaliation from his rivals.

Since there are no dealers to pro mote the package Megatech spends a lot on advertising - £250,000 a year at current rates. The combination of a low price, an innovative product and attention to customer service have brought the company Megatech's decision to slash its

price, while reminding customers that its package was originally being sold for much more, appears to have paid off.

But selling on price alone to gain market share can be a dangerous strategy, warns John Winkler of

Winkler Marketing, a consultancy. While Megatech's main rivals have not responded by slashing their prices, in other markets price cuts have triggered price wars which has damaged the entire industry.

Once a low-price policy has been edopted it is difficult to change. Van Dort acknowledges that he is now unable to raise the price of TAS Books although new, more highly priced products are planned. Surveys have shown that many companies going into liquidation have previously attempted price cuts, Winkler points out.

It is relative product quality which hailds substantial long-term market share, not price cutting, says Winkler. Virgin Airlines is known as a low-price operator but takes pains to provide a high-quality service, he notes.

# Nutshell

### The banks' side of the argument

The banks have been heavily. criticised over the past two years for their frequently inconsiderate treatment of small husinesses. But the banks are businesses too and the failings have not been only on one side. Understanding Your Bank Manager might be the sub-title of Banking on the 1990s\*, a guide from accountants BDO

Binder Hamlyn. This is not so much a "how to" guide on pegotiating an overdraft but more an explanation of why the banks act as they do. Once business owners understand how banks work.

they should be better able to deal with the bank manager and present their case for funding. \*Special Briefing No 83.

Publications Department, BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH. 11 pages.

### Weighed down by green issues

the next burden to be placed on small firms? Quality assurance, in the shape of BS5750, has been enthusiastically adopted by many large companies, but is seen as an imposition by some suddenly required to conform to a new set of rules.

A new handbook, Buying into the Environment\*, emphasises the need for a partnership between large companies and their small suppliers. It suggests guidelines for purchasers and suppliers when they are dealing with environmental issues and promotes best practice.

Intended For large and small companies alike, it provides helpful explanations of the legislation, organisations and jargon in this Held. \*From Business in the Environment, 8 Stratton Street, London WIX 5PD. Tel: 071 629 1600. 95 pages. £30 plus p&p.

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MINING TRADING AND MANUFACTURING S.A. (the "Company") is a societe anonyme established in Athens in 1964 and is engaged in magnesite ore mining, distribution of raw magnesite and in the manufacture and distribution of caustic calcined magnesia and dead burnt magnesia. The Company owns a factory and installations as well as two mines (one underground and one open-air), all located in the Mantoudi area of Evia, 150km north of Albens. The installations include among other things, pre-benefication and beneficition facilities, two shaft kilns for the production of caustic calcined magnesia and related machinery. The Company currently employs a staff of 10, mainly guards and maintenance staff.

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Investors interested in the contemplated transaction should address all their communication, and request additional information regarding the Company and the procedure to Alpha Finance A.E., 5 Merlin St., Athens 106 71, GREECE. Tel. +30-1-36.46, 186/36, 46, 190, Fax +30-1-36.04.040

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n a bid to ease the US defence industry's suffering over more military spending cuts, Presiously promoting the concept of "dual use" – the civilian and commercial use of technologies originally developed for the Pentagon.

The administration has even pledged US\$500m (£330m) to help former defence contractors convert their plants to non-military production. Yet many groups in the industry are discovering that although the potential rewards are enticing, the task of switching technologies from the military to the civilian and commercial sectors is daunting.

There is a great temptation to want to spin off all this great technology we've developed in many directions, but we have to realise that there's no magic that will make us capable of operating in another sector overnight," saya Ronald Smith, director of business policy at Grumman, the defence contractor.

The histories of defence contractors are strewn with casualties from the battle to enter new sectors. Many companies have been trying to make the switch for years but have mat with limited success. Grumman made an aborted attempt at marketing buses, and McDonnell Douglas, the aarospace group, backed a number of failed products in an attempt to diversify.

Wa tried microwave vacuums for drying grain and flying fire engines [fire-fighting aeroplanes] hut they didn't do very well," says James Caldwell, director of industry participation at McDonnell Douglas. "Our foray into computer and information systems was also a financial loser. Attempts to go outside our core experience have, with few exceptions, met with resounding

Flops like these have forced defence contractors to come to terms with their limitations. One of the biggest hurdles facing military manufacturers is their lack of a strong marketing capability. Many defence groups have no advertising department, no distribution network and a limited sales force, making it difficult for them to sell their products to a large market.

"Most defence groups haven't got the slightest idea how to sell a product on the mass market," says Greg Frisby, president of Frisby Airborne, a Long Island-based hydraulics group and defence contractor. "That's not surprising. After all, they spend most of their time dealing with a single customer, the Pen-

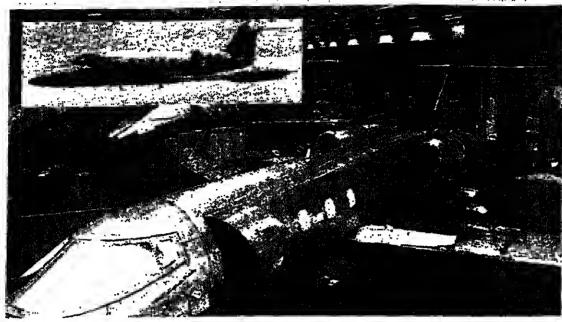
Marketing is not the only problem the industry faces. Civilian and commercial work can also present cash-flow difficulties, as companies used to getting paid in military-style instalments for continuing

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US defence contractors find they have to work hard to compete in the civilian market, says Victoria Griffith

# Fighting on foreign soil

The Lear Jet: defence and non-defence roles



ork are forced to wait until after delivery to receive any payment.
"When we started doing commercial work, it was hard for us to finance ourselves," Frishy says. "Defence contractors get used to counting on regular payments from the mili-

Defence contractors are also snowed under hy the astronomical wages they are forced to pay their highly educated workforce, "We pay mechanics \$18 an hour because we need their level of skills to produce military-standard products," says Robert O'Brien, public affairs director at McDonnell Douglas. "But a lot of consumer products don't need that level of expertise, and we can't compete with someone who's paying employees \$6 an hour to put out the same product."

The industry also complains about the Pentagon's stringent specifications, which are so demanding that they price the product out of the consumer market. "There are 15 pages of specifications for ketchup in the military, and you can extrap-

olate from that," savs Smith. "Obviously, your average con-sumer is not willing to pay the extra cost it takes to meet those specifications. The consumer is performance-oriented, the military specifications-oriented. They are completely different markets," he

Many companies are now demanding that the Pentagon loosen its requirements to allow them to compete more effectively in both the military and the civilian worlds. "in some cases, civilian equipment is more than adequate to serve military needs," says Caldwell. "The Lear Jet is a good example of a non-military defence aeroplane that works perfectly well for defence transportation. In the past, the military has had a tendency to over-specify.

Despite the myriad difficulties involved with conversion, defence contractors say that in the face of a diminished federal military hudget, It is essential to find new markets. Companies insist that non-military

applications can be found for most of their products, and they have come up with a number of suc-

"There's clearly not much of a market outside the military for B-52 bombers or nuclear missiles but most products can be adapted in some way." says Noel Longuemare, head of the systems development and technology division at Westinghouse Electric Corporation in Balti-

Westinghouse's defence arm. Westinghouse Electronic Systems, has been hailed by Clinton as a conversion success story. The group reduced its reliance on defence work from 84 per cent in 1986 to 73 per cent today. Westinghouse accomplished this by successfully marketing its military surveillance technology as air traffic control equipment, and selling military security products to civilian police

By marketing thermal control systems to the oil industry, Frishy Airborne has made an even bigger switch, from being 95 per cent defence-dependent in 1985 to just 25 per cent today. Boeing, the aircraft manufacturer, has long maintained a balance between military and commercial sales, and McDonnell Douglas has successfully adapted a number of military aeroplane technologies to the commercial market. Most of the success stories,

though, have taken place outside the mass market. "Selling to non-defence sectors of the government is a good option for defence groups wanting to make a switch," says Smith. "One of the things defence companies know how to deal with is red tape and bureaucracy. Dealing with the civilian side of the government is far closer to the sort of business we're used to than consumer products."

Another option for defence groups

is to sell big-ticket items in low-vol-

ume markets. Both McDonnell Douglas and Boeing have been successful at marketing their aircraft to the commercial as well as the military sector. "With aeroplanes, we're dealing with a high-technlogy, low-volume business," says Cald-well. "It's clearly more in line with our husiness culture than, for instance, selling laptops would be."
Still, some defence contractors insist that the mass market is an option if it is approached in the right way. Westinghouse, for instance, has joined Chrysler in a joint venture to develop technology for electric cars. "Joint ventures are good way to go because you can

markets well," Longuemare says. Although conversion may be the wave of the future, defence groups are quick to point out that there is still a lot of money to be made in sales to the Pentagon. "I think the main point is that the communication between the commercial and defence sides must be improved." says Russ Young, a spokesman for Boeing. "In many cases the same technology can be used in both

join with companies who know the

Young points to the successful adeptation, not only of military models for commercial use, but also the use of commercial aeroplanes for the Pentagon. "Our 707s and 767s were both used for conversion to military aircraft," he says. As novices entering a new line of husiness, defence contractors are likely to see more failures along the road to non-military production.

Still, companies are learning from their mistakes and are gredually finding niche markets in which they can compete effectively. "Dual use" may not be the answer to all their problems but most contractors are ready to give conversion a try. With the once deep pockets of the Pentagon becoming ever more shallow, most feel they have no other

# The best of both worlds in print

Paul Taylor reports on a system that combines laser and offset

small Israeli-based company claims to have made a breakthrough in printing technology by developing the first integrated digital colour offset press ideally suited to high-quality short print runs.

Indigo, a private company founded by Benny Landa in 1977. has spent the past 16 years working on technology that merges the quality and performance of printing ink and the conventional offset printing process with the power and convenience of laser-style electronic printing.

The company's efforts have already captured the interest of George Soros, the international financier, who recently paid US\$50m (£33m) to acquire a mall minority equity stake in Indigo. Liquid ink and offset printing

dominate the quality end of the printing industry, but offset printing is heavy on materials, time and labour. It requires skilled operation and lengthy pre-press preparation of films and printing plates. And because of the time it takes to set up a conventional offset press, the process is expensive and requires long print runs to be economical. As a result, it is generally limited to duplicating the same image page after page. Laser-style electronic printing

is based on the xerographic or electrophotographic process. which employs powder tone rather than liquid ink.

The process is used, for example, by modern desktop laser printers and photocopiers but too, suffers from a number of limitations. The relatively large particle size of the toners results in poor definition, brittle images and a lack of colour brilliance. In terms of quality, it cannot challenge offset printing", Landa says.

Indigo overcame these limitations by developing a fine-particle liquid toner called Electroink, which was patented in 1988 and is now manufactured under licence by a range of companies including Xerox, DuPont and Ricoh. After that, Indigo, which

employs 325 people mostly involved in research and development in Israel, set about developing the digital offset

grand and

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re

The result is a machine called the E-Print 1000, "the first of a family of electronic printing products", says Giora Yaron, Indigo's president and a former senior executive at National Semiconductor. The R-Print 1000 takes digital information in at one end and can output fully bound colour documents at the

The small-scale laser press which would not look out of place in an office – prints at a speed of 120 feet per minute, equivalent to 2,000 full-coleur pages an hour and comparable to the speed of ... an standard sheet-fed press. It achieves a resolution of 800 dots per inch (DPI) on a broad range of papers up to A3 size - 11 inches x 17 inches - using four colour inks. (By way of comparison, a standard laser printer achieves a resolution of 300 DPL)

The Indigo press can accept industry-standard PostScript format files from a computer-based colour desktop publishing package, eliminating all of the pre-press stages. Each page can be also be printed on both sides (duplex), meaning that an entire document can be printed automatically.

An optional automatic finishing attachment allows fully finished folded, stitched and trimmed booklets to be produced with no mannal intervention.

· Low set-up costs mean the E-Print 1000 is ideally suited to short publishing runs (500-5,000 copies) - a market that some analysts suggest is potentially worth \$25bn a year in the US alone. Potential applications range from short-run "distributed" printing to greeting cards, personalised colour printing and low-volume book publishing.
Pre-production versions of the

E-Print 1000 are already in operation in Japan. The press will be launched formally at the International Printing Exposition in Birmingham in September.

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AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Rogistrar Buckley at the Royal Courts of Justice. Strand. London WC2A 2LL on Wodenstay 7th July 1993.

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Dated this 17th day of June, 1993

Dated this 17th day of June, 1993 Nabarro Nathamon 50Stration Street London W1X SFL REF: 6A/NXPVP1136:4 Solicitors for the Petitioning Company

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FINANCIAL TIMES

# POWER FOR EUROPE

Tuesday June 22 1993

Unprecedented changes are occurring in the supply of electricity in Europe writes Michael Smith. Public utilities are being forced to produce power more cleanly and efficiently - and to clean up their commercial act by giving up their cosy monopoly status

# **Trembling** monoliths

EUROPE'S power companies importance for each country, are coming under increasing, and prohably unstoppable, pressure to compete.

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They are also having to manage their husinesses under unprecedented public scrutiny. Europe's growing population not only wants its utility companies to provide hetter services but also wants a higger role in decisions affecting that

Later this year France will engage in a public debate on energy. Germany is already in search of a political consensus on nuclear power which, once attained, will have profound implications for the future of coal. The UK government, having hurriedly produced a coal review after a public outcry over mines closures, will launch a nuclear review later

In these debates, and others going on throughout Europe, environmental considerations will play a far larger role than they would have done in previ-

ous decades. The Rio de Janeiro earth summit last year set a series of targets which are forcing countries and their electricity companles to re-think the balance of fuels which go into the elec-tricity market, with gas playing an increasing role and coal facing Inexorable decline.

To help cope with all these changes, electricity companies cannot rely on the large vol-ume growth that has sustained them in previous decades. In east Europe demand is depressed by the closure of uneconomic industries and expected growth in consumer consumption will have to await

economic recovery. Western Europe can look forward to only limited growth. According to the International Energy Agency, an arm of the Organisation for Economic Co-operation and Development, electricity growth in industrialised countries is likely to be around 2 to 2.6 per cent a year

for the rest of the decade. Faced with stagnant markets in their own countries, companies are looking ahroad. In Britain, where the most significant progress towards liheralis-ation has been achieved, electricity companies plan significant expansion outside their national boundaries.

National Power plans to invest £1bn abroad by the end of the century. PowerGen is part of a consortium which is close to winning a contract to build a 400 megawatt power station in east Germany.

fn other examples of trans-European investment, RWE, the German utility, in May bought a 4 per cent stake in Endesa, the Spanish company which had previously bought 2 per cent of its shares. Last year Tractebel of Belgium bought a 3 per cent stake in Iberdrola, Spain's second largest electricity company.

The aim is for joint ventures and pooling research resources, rather than merg-ers. Nonetheless such alliances are likely to grow as the European electricity market is opened up for greater competition and provides greater opportunities for investment.

The pressure to liheralise romes from an alliance of poli-ticians and large industrial companies who no longer see the production of electricity as a natural monopoly and who believe that more competition can result in lower prices.

Although its more radical measures are fervently resisted in some countries, it is strougly backed by the European Commission.

Trade in electricity between European countries aiready exists and indeed has grown to about 10 per cent of the total in recent years. But it is invariahly between one state and another. Electricity companies which want to sell power to industrial companies in another country find it virtually impossible. Those pressing for liberalisation say the barriers are erected by monopolies, to protect their markets.

The industry says it is a special case. Unlike virtually all other commodities, electricity cannot he stored. This, together with its strategic

makes it unsuitable for the normal laws of the market which other industries have to face, say the producers.

The main issue which divides the community is "third party access", a means of giving companies a right to the use of another country's electricity network to sell to industrial companies. Opposition from utilities, backed by their governments, has forced the Commission to reconsider earlier plans. It is considering measures which would force companies to justify why they refuse another company

Meanwhile, the dehate appears to have softened the attitude of virtually all the players. France, whose Electri-cité de France is the most obvious monopoly, is likely to consider in its energy review this year whether liberalisation

steps should be adopted. But liheralisation is hy no means confined to the European Community. Norway three years ago introduced electricity consumers to buy directly from producers and which made it more difficult for municipalities to use their electricity interests to finance other activities. Prices have

In Finland, measures have heen adopted to ensure that Ivo, a state-owned company which makes about 40 per cent of the country's electricity. does not cross-subsidise its generating and engineering husinesses from the grid system which it owns.

Ivo hopes to be privatised in the next few years, in part so that it will he able, with private capital behind it, to play a larger part in the European electricity market.

ttempts to throw off state shackles are also being made in countries previously dominated by the Soviet Union. Russia is looking at allowing private sector, including foreign, funds to help build the electricity sector.

The Czech Republic has already decided it needs foreign aid to develop its industry. CEZ, the dominant Czech producer which was partially privatised through the sale of per cent of its capital last year, estimates it needs to invest \$5.7on in the next few years, and can only do so if foreign funds are tapped.

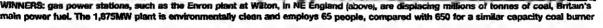
Although investment in ner plant accounts for much of the total, about \$1.9bn is needed to pay for air pollution equipment demanded by stricter environmental laws. This highlights a problem for all electricity com nies, particularly those with

high coal burn. Environmental problems are most acute in east Europe where governments and companies are having to cope with years of neglect by their prede cessors. Enormous question marks hang over the safety of nuclear power stations built with Soviet technology; and hlg hills are accruing on the mess caused by the failure to clean up after opencast mining, particularly of lignite coal. The cost of cleaning up after

lignite mines in east Germany, for example, is about DM30bn. This consideration, together with problems over sulpbur and carbon dioxide emissions, is behind a move away from coal in some European countries, notably the UK.

In the UK the move is helped hy plentiful supplies of gas Other countries are less fortunate. States formerly in the political shadow of the Soviet Union are reluctant to commi themselves to gas imported from Russia, because they want to loosen their ties with that country and hecause of fears about its political instahility. It was partly for that reason that the Czech Republic this year chose to go ahead with huilding a second nuclear plant in spite of public fears following the Chernobyl accident. Other countries, including Germany and Spain, will not even allow some of their already constructed nuclear plants to make electricity, let alone build new ones.







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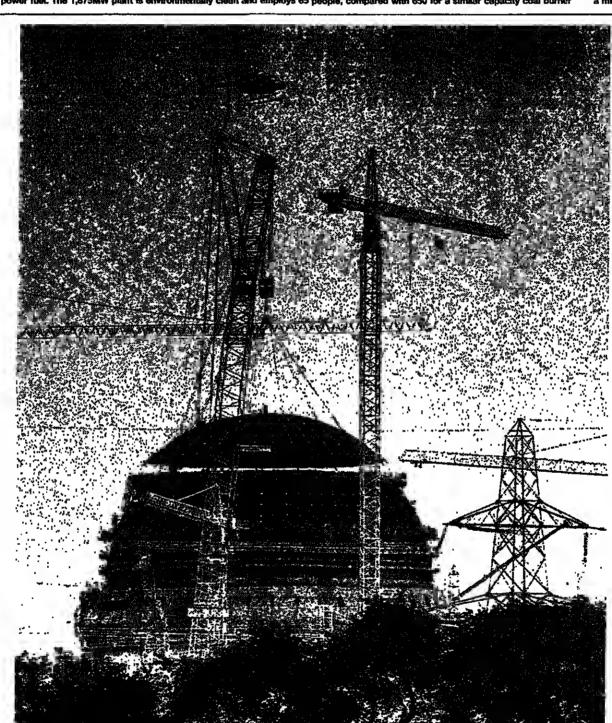
DASH FOR GAS: UK leads

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### **POWER FOR EUROPE 2**

FOR THE first months of 1993, the opening up of the European Community electricity market seemed to have ground to a halt, in the face of opposition by national utilities and their governments. Now the new energy and competition commissioners, appointed in January, seem fully committed to reform.

It will, however, be a process of gradual change rather than the revolution which had been threatened by their predecessors. Compromises are being sought by commissioners, particularly Mr Abel Matutes, at energy, and the electricity companies say they are ready to listen.

The utilities can take comfort from the case of another EC initiative which many believe would harm their interests. Finance ministers last month damaged the prospects for an EC-wide energy tax to fight global warming by refusing to endorse it after rows over how the levy should be apportioned.

With the UK government and most utility companies opposed to a levy, some EC officials believe It may take years to imple-

ment an energy tax.
Implementation of the energy market will similarly be difficult but the process is back on track in a diluted form which at least tackles the thorny issue of allowing utility companies to sell directly to customers in other countries.

Europe adopts a slower approach towards a single electricity market, reports Michael Smith

# Compromise and persuasion

Third party access (TPA), as this form of liberalisation is called, has long been backed by commissioners who argue that a free market in all goods can only be achieved if the primary industrial source of electricity is subjected to the same treatment. Allowing full trade batween electricity companies and consumers would tackle monopolies and force a cut in power prices, they say.

The first move to liberalisation was the Transit Directive, in force since July 1991, which forced utility companies to extend high voltage networks beyond their areas. Another directive sought transparency of pricing by obliging companies to publish

As the next stage, Mr Antonio Cardoso a Cunha, Mr Matutes's predecessor, had planned to break up the monopolies using the EC's special powers, but he was forced to desist. Instead, he sought to attack the monopolies by demolishing exclusive rights to generate electricity and obliging them to unbundle their accounts so that tion, contracting etc.) operate more autonomously. This would make it easier for outsiders to gauge the market and com-

He also proposed that large consumers for example, steel, chemicals and fertiliser companies - should be granted access to energy networks by the beginning of this

the various segments (geoeration, distribu-strongly opposed to the principle of TPA. Part of the problem is thet, apart from Britain, most countries see electricity as a natural monopoly. National policy decides price, with different internal constraints leading to different price structures.

Even Spain, which is liberalising its internal electricity supply, is against third party access. "Security of supply is the

EC finance ministers last month damaged prospects for an EC-wide energy tax to fight global warming

year. If successful, the right to huy electricity from anywhere in Europe would have been extended to smaller consumers from January 1, 1996.

It was not Only Britain was wholly in favour of the proposals. Other states expressed cautious approval for accounts transparency and ending monopolies over electricity production. But Spain, Italy, France, Greece and Luxembourg are still

responsibility of each member country. not the Commission," says Mr Ramon Perez Simarro, secretary general of energy in the industry ministry. "We want as much competition as possible. But the critical issue is security of supply and that depends on primary energy diversification. We cannot delegate that to the market as

In outlining his company's opposition to

TPA, Mr Jean Bergougnoux, chief executive of Electricité de France, the French utility, says it would be economically inefficient. It would restrict companies' ability to apply equality of treatment conditions in their areas and would reduce interconnections through which energy is traded between countries.

"It is not easy or cheap to build new lines," he says. "Companies would not be motivated if competitors would be able to use lines in their place."

in Germany the utility companies are strongly against TPA, arguing that they would be placed at a strong disadvantage to France which sells its largely nucleargenerated electricity at prices that they cannot match, largely because of their requirement to buy expensive German

To achieve a truly free market, they say, all subsidies would have to be removed, whether in Germany, Britain, France or Spain, but that is not in sight and there is no pressure from them to bring it about

David Lascelles assesses nuclear power's mixed fortunes

immediately. Outside the utilities the liberalisation argument in Germany appears to be turning, with some sections of the government favouring it as a means of reducing prices and helping the country

out of recession. How can the Commission circumvent this opposition? Mr Matutes favours amending the existing legislation so that member states will no longer be obliged to grant free access to the electricity and gas

networks. Instead, users which wanted to huy energy across EC borders would negotiate access to other networks, signing individ-

ual contracts. Member states and operators would have to justify any decision to refuse a request - for example, on the grounds that there was insufficient capacity, the negotiated price was too low, or there was a risk that domestic energy companies would be unable to meet their obligations to exist-

Supporters of full liberalisation need convincing. Dissident states may find ways of circumventing any directive and there is a strong danger of unequal imple-

Much therefore will depend on the drafting, expected to take place later this year after the European parliament discusses the issue.

Spain adjusts to the reforms from Brussels, says Tom Burns

# Wind over the Pyrenees

motioo that could alter the face of Spain's electricity sec-

The government has outlined a new legislative framework and, at the same time, the main utility companies are locked in negotiations that could lead to a far reaching reordering of their assets.

The moves are, on one level, a response to Community directives on the internal energy market and to recent legislative initiatives in the Netherlands, Norway, Portugal and the UK. At another level they seek to replace the existing quota and price structure system, known as the stable framework, which parcelled out the markets and which expires next year.

The government's policy is twofold. The draft bill seeks to liberalise the sector and usher in competivity which is essentially what the Community's directives are about and what comparative legislation in other EC nations aims to establish. The government also seeks to put a new framework in place that will ensure a domestic energy supply that is both secure and diversified.

The domestic electricity generators have a different mission. Up to now they existed, more or less cosily, within a domestic market where the regulatory guidelines of the stable framework allowed sufficient room for each to make in what is a sure pointer

DEVELOPMENTS ARE in more competitive times, it is a question of hanging together so as to avoid hanging sepa-

It is in this spirit that Iberdrola, the main private sector utility, appears to have hurled a series of past quarrels with its rival generator Endesa, wblch is state-owned. These are the twin giants of Spain's electricity sector and they have grown a lot more powerful in

Iberdrola is the result of a merger between Hidrola and

shape of the European energy sector. Belgium's Tractebel has a 3 per cent stake in Iberdrola and Endesa bas recently acquired a 2 per cent share-holding in RWE of Germany.

The alliances are still in their relative infancy hut, as they mature, they will involve shared research programmes -RWE and Endesa, for example, are weighted towards coal-fired plants - and joint veotures to seek new business opportunitles, particularly in Latin America. In the near future

The two top generators have secured a web of alliances with foreign utilities which indicate the future shape of Europe's energy sector

Iberduero, the two leading private utilities, wbile Endesa, which is primarily a generating company, has, to Iberdrola's annoyance, built up its retail muscle by becoming a strong shareholder in smaller private utilities such as Sevillana, the distributor in the south of Spain. Together Iberdrola and End-

esa now represent around 80 per cent of domestic consumption and they split this market share evenly down the middle. Quite understandably both the domestic giants are loath to allow any weakening in their respective empires under the new government framework.

Already the two ntilities have secured foreign alliances Iberdrola is likely to take up an option to huy into Tractebel while RWE may acquire up to 5 per cent of Endesa. In the meantime the two

Spanish utilities are consolldating their domestic hase. The talks between the two reportedly involve the friendly sale of Iberdrola assets to Endesa in an arrangements that benefits

At the centre of the oegotiations is Endesa's acquisition of Hldruna, the Iberdrola-owned subsidiary in Catalonia. Such a disposal will gain lberdrola a very sound balance sheet by sharply reducing debts that currently represent some \$1.5bn a year in fioanclal charges.

Endesa for its part stands to hi money. Now, with the onset of towards the future cross-border gain a firm grip on distribution directly to major clients.

in north east Spain through the purchase and it will also be improving its energy mix by lowering its coal weighting. In a second tier agreement, at a later stage, Endesa could be poised to acquire a portion of fberdrola's nuclear plant share-

Ironically the present amicable relationship hetween Spain's leading utilities is exactly what the legislation drafted by the Industry Ministry is seeking to avold. The administration, under EC guidelines, wants to break up the sort of cartels that Endesa. Iberdrola and others always lived by and which they now seek to reinforce.

The salient characteristic of Spain's utilities is that they are Integrated businesses which combine the production, distrihittion and marketing of electricity: the chief feature of the ministry's planned legislation is that these integrated groups are going to have to separate, both for legal and for accounting reasons, their production activities from their distribution and marketing.

The proposed new framework bas all the electricity generated hy the domestic companies entering a publiclycontrolled energy "pool". This centralised public company will in turn supply electricity to the marketing affiliates of the former intergrated groups and it will also sell electricity, means of public hids

**Deborah Hargreaves** compares the runners in the 'dash for gas'

# **Britain leads the pack**

HIGH HOPES of a rapid as being the fastest growing this has been scaled back from of National Power and Power-European "dasb for gas" in power generation have collapsed. But the drive to replace coal- or oil-fired electricity stations with new environmentally-friendly gas plants remains a potent force in continental Europe - it is just not happening as fast as in the UK. The EC's large combustioo

plant directive which forces governments to reduce sulphur dioxide emissions by 60 per cent by 2003 is prompting a move towards gas-fired power on the contineot. However, in the past two years, prices for heavy fuel oil - which is burned in some power stations with low sulpbur content have dropped considerably. In addition, in many countries electricity demand bas declined with the recession. delaying the need for new

The Netherlands, Germany and Italy are the three other European countries to burn a significant amount of gas in power stations, apart from the UK. The three continental countries use between 8bn and 11bn cubic metres of gas a year for gas-fired electricity generation. The UK will reach usage of around 8bn cubic metres by the end of next year.

"There is a general widespread assumption that there is large demand for gas on the continent driven by the conception that gas is the fuel of choice for power stations, but when you go through the countries one by one you realise that there are not thet many projects," said one industry consultant.

However, views vary considerahly about whether the rest of Europe will jump on the gas bandwagon. Arthur D. Little. the management consultants group, estimates that gas demand in Europe will rise by 55 per cent over the next 20 years from 300bn cubic metres to 450bn cubic metres with much of the new demand coming from power stations.

The dash for gas is not just a British phenomenon. We see

sector of gas demand across Europe," said Mr John Wood-Collins, managing director of Arthur D. Little.

According to Caminus Energy, the energy consul-tancy group, the EC Commission is expecting the use of gas to double in the power sector across the EC. But this means gas will still only meet 16 per cent of electricity supplies by 2000. This compares with up to 25 per cent in the UK by 1998 up from nil in 1990. Italy has been planning a sig-

earlier projections. Elsewbere in Europe, the biggest gas turbine equipment in the world has just been completed outside Paris, but the plant will hurn gas at peak times only which could be as little as 20 hours a year. France remains committed to its nuclear programme, and appears more interested in

additional gas plant. Spain is looking at augmenting its electricity capacity with gas-fired stations which will

clean coal technology than



nificant increase in gas-fired plant for some time with Enel, the state electricity generator. predicting a big switch from heavy fuel oil into gas. Plans have been scaled back as fuel oil prices have declined, but Italy still plans to convert to 25 per cent gas-fired power by 2000 compared with 18 per cent

Germany is currently building one gas-fired station in Dresden and another in Stada on the north coast. But Ruhrgas, the country's major gas supplier, has said recently that most of Germany's new power demand will be met by coalfired generation.

The international Energy Agency, the west's energy monitoring body, expects gas to meet 14 per cent of Germany's electricity supply needs by 2000, an increase from 7 per cent in 1991.

Two plants are planned in the Netherlands with start-up due in 1996 and Belgium is building two gas-fired stations. This compares with plans for

use Algerian gas from the new Maghreh pipeline which is expected to start running by 1996. Algerian gas will double Spain's gas capacity and the country's electricity industry is looking at constructing gas plant. Portugal is currently. huilding a large coal-fired power station in the north and has no immediate plans for

Bastern European countries are looking to replace some of their highly-polluting, coalfired stations with gas capacity, but few concrete projects are under consideration. in Scandinavia, Sweden has

committed itself to phase out nuclear power stations by 2010 - nuclear currently provides around half of the country's power needs - and some of it could be replaced by gas.

The dash for gas in the UK was prompted initially by the privatisation of the electricity industry and the resulting industry structure, but cheap gas prices also created huge

Gen as England's and Wales's (not Scotland's) only non-nuclear generators left many of the regional electricity companies eager to escape the yoke of the generators and build their own power stations once they were privatised.

By March 1991 the dash for gas was turning into a stampede, forcing British Gas to ratchet up its prices in an effort to cut off demand. By the end of April 1992, the National Grid was predicting 60 per cent surplus capacity in the market if all 28 stations which had applied for grid connections were built by 1997 as planned.

However, since then some companies have dropped out: National Grid says eight sta-tions have either been can-celled or deferred, putting the surplus capacity at between 24 per cent and 37 per cent by 1995 to 1996.

Three of the remaining 20 stations have already heen opened: Lakeland Power's Roosecote plant in Barrow-in-Furness. Enron's Teesside station which is one of the largest CHP plants in the world at Teesside and was opened in April, and PowerGen's Killingholme plant on Humberside.

The Teesside plant which has four regional electricity companies as partners pro-vides graphic evidence of the attractions of gas-fired generation. The station is fully computerised and employs just 65 people compared with 650 workers at a coal plant of simi-

lar size. In addition, Teesside emits half the carbon dioxide of a coal plant, its sulpbur emissions are negligible and it produces one-ninth of the nitrous oxide waste of a coal plant.

The environmental benefits of gas-fired electricity generation are overwhelming. But gas must compete on price with other sources of fuel and it is not as easy to transport as oil and coal. The use of gas in power stations is on the increase in Europe, hut a fully-

Europe's nuclear power industry, not just by stifling new developments in western Europe, but by making people nervous about the industry in According to the Interna-

tional Atomic Energy Agency, only two west European coun-tries - the UK and France are currently building new nuclear power plants. In the remainder, nuclear power is either in a state of limbo or subject to constraints, as in Italy where plants have been mothballed, or Sweden which plans to phase ont nuclear power by the year 2010.

THE CHERNOBYL effect

continues to overshadow

eastern Europe.

France's commitment to nuclear power has long been the mainstay of the west European nuclear industry. It already produces nearly three quarters of its electricity from nnclear and bas five more units under coostruction, which will bring the total to

Electricité de France, the state-owned ntility, maintains thet French public opinion is supportive, despite recent press coverage of alleged rising costs of nuclear power and environmental and safety wor-

"Chernohyl has not made a significant difference because people believe western technology is safe," says Mr Jean Bergougnoux, chief executive of Edf. "Where nuclear power exists people want to build more plants because they have felt the economic benefit." The UK's attitude to the

industry is much less positive. Strewell B, on the Suffolk coast, is the only plant under construction and is due for completion in 1994. At the end of the year the government is dne to launch an inquiry into whether more power stations should be built in Britain. The outcome is difficult to predict, hut Mr John Collier, the chairman of Nuclear Electric says nuclear power should be able to make a strong case that it

NUCLEAR POWER IN EUROPE AT END OF 1992 59.9 20.7 Pinland 72.9 Hungary Lithuania 60 (est) 4.9 Slovak Rep 39.6

can operate safely and com-

mercially.
What does this mean for the nnclear power industry in western Europe?

Sbort-term prospects for nuclear power seem doubtful, despite the fact that nuclear power accounts for about a tblrd of all electricity produced in western Europe. Fears about safety are strong. and environmental opposition is well organised. The nuclear power industry has also made little headway with the one environmental argument in its favour that it does not polinte the atmosphere with gases which are said to cause acid rain and global warming. Some research has even shown that people think nuclear power contributes to the

greenhouse effect. Instead, the environmental argument has centred on the problem of nuclear waste. The UK government finds itself at the centre of a controversy since it must decide whether to give the go-ahead to the new thermal oxide reprocessing plant (Thorp) huilt by British Nuclear Fuels in Cumbria. Thorp, one of only two such facilities in the world (the other is in France), would separate dangerous products like uranium and plutonium from

the waste, and send them back to their owners. But there is a growing view that It would be simpler and safer to hold the waste in dry storage.

The waste problem is most acute in Germany where no further development of the nnclear power industry can take place until it has been sorted out. The issue has proved so divisive that an early resolution seems unlikely, much to the frustration of the local nuclear utilities and power equipment Nuclear power is also facing

an increasing challenge from natural gas, whose abundance and suitability for power generation has weakened the nuclear lobby's argument that traditional power sonrces would dwindia. Natural gas power stations are mncb quicker and cheaper to build than nnctear, and are relatively friendly from an enviroumental point of view. Little snrprise, therefore,

that the World Energy Councit's report on West Enrope last year foresaw only a small increase in nuclear's net contribution np to the year 2005, and, barring a major shift in public opinion, a steady decline thereafter. What little new plant comes on stream

Chernobyl's lingering shadow will be offset by closures of

Ar B

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e found

ageing stations. But the same WEC report said that if public accep did turn more positive, nuclear capacity in the region could grow by over 50 per cent by the year 2020 provided there were no major accidents, and control technology improved. The nuclear industry is trying hard to bring about this more positive trend. An indicator may come in September when Finland is to vote on whether to build a new nuclear station.

One of the factors shaping public opinion will be what happens in east Europe where the safety of communist-built

reactors is a top concern. The West has allocated large sums of money to help the east Europeans and the Russians improve their nuclear stations, but actual work has been held np by procedural and legal wrangles, though there are now signs of movement. For example Kozloduy, the large Bulgarian station once described as the most danger-ons in the world, is reported to be in a much safer state.

A number of east European countries are pressing on with plans to build nuclear stations. The Czech and Slovak republics have half a dozen units under construction between them, and Romania is going ahead with five Canadian-designed plants. Russia has plans for some two dozen n stations, though only 12 could be described as firm.

There is less certainty in other former communist states. The Ukraine has decided to shut down the only two of Chernobyl's four units which are still operating, and is debating whether to proceed . with others under construction. Poland has frozen its

only plant. Although East European public opinion is not as hostile towards nuclear power as in the West, the real test there is whether the region can afford

In the ex-Soviet bloc, says Chris Cragg, N-power retains a role

# **Enigmas in the east**

importance in Russia

In contrast to the US, where alternative technologies using gas and clean-coal combustion are driving power sector expansions, Russia remains wedded to its nuclear industry. According to a survey by Siemens.

nuclear power will apparently account for 18.7 per cent of a greatly increased demand hy 2010, compared with 10.9 per cent in 1990. in March, the Russian Ecology Ministry

even gave approval for the finish of the 60 per cent complete unit No 5 at Kursk, 500 kms south of Moscow. Kursk No 5 is an RBMK reactor, similar in design to those of Chernobyl. It has,

apparently, been thoroughly modernised and enhanced with new safety features. Chernobyl, of course, is in the Ukraine, whose people, along with those of Belarus, suffered most from the disaster. Leonid Kravchuk, Ukraine's president, recently revealed that 11m people had been treated in some way for effects of the radiation. Yet the remaining plants on the site are still in operation.

The Ukrainian local authorities cannot afford to shut them down, while the station managing director, Nykola Sorokin, believes that they have been sufficiently improved so as to be substantially safer tban many other plants in the former Soviet Union. Worries continue about the cracking sar-

about the impact of a rising water table underneath. Yet the site remains in pro-The Ukraine may indeed lift its ban on building new reactors shortly. The government is under strong pressure to start the

cophagus over the ruined reactor and

nearly complete reactor at Royno. Even in Belarus, where there are no fledged dash for gas on the reactors at all and resistance to huilding

SEVEN years after Chernobyl, it seems strange that nuclear power is growing in sons, the government has plans to build in Russia itself, amounting to 8,600MW as two, but has yet to find a site.

In Armenia, the French nuclear consultancy Framatome is helping assess two 468MW VVER reactors for refurbishment. These were closed after the 1988 earthquake on safety grounds. Now the Armenia government is desperate to reopen them - electricity supplies in the Republic are available for less than one hour a day.

Russia's own intended increase in nuclear power does not flow from the same economic motives as those of Armenia or the Ukraine. Russian electric-

The Ukrainians say that 11m people have been treated for effects of the Chernobyl explosion

ity demand fell in 1992 by 5 per cent. Equally, Russia has the world's largest gas reserves, substantial supplies of oil and more than 400 years of coal supplies at current rates of extraction.

In contrast, both Armenia and the Ukraine have had to adjust to rapid increases in fossil fuel prices on which the bulk of their power supply depeods.
As things stand, 73.3 per cent of Russia's 213CW of power capacity is fossil fuel-fired, 20.3 per cent is hydropower and only

9.5 per cent is nuclear. At present, the nuclear sector has nine plants, with 28 reactors, amounting to 20 GW. Prior to the Chernobyl accident, the Soviet government had planned to more than double this capacity in order to provide the USSR with a20 per cent level of nuclear electricity by 2000 and increasing

thereafter. After Chernobyl work was stopped on more than 74 new plants either under construction or planned throughout the USSR. The new plans are not as extensive

area. A further 7,600MW are at the plan-ning stage. Of these, three, at Balakovo, Kursk and Kalinin, are due to be finished by the end of 1995, according to the Ministry of Atom Power (Minatom). A further eight are due to come on line before 2000.

In a curious way, the fear about safety In Russian designed reactors has actually aided the role of nuclear power in Russia. As a Friends of the Earth Report, Dangerous Liaisons, pointed out last December, western nuclear companies were among the first industrial sectors to seek work in both eastern Europe and the former Soviet Union. The process of getting bilateral aid from the west was greatly aided by the fear that Chernobyl could happen again.

As the state of former Soviet waste dis

posal plant was revealed, this too attracted western company interest. In 1991, nearly half of the EC's TACIS technical aid programme for energy in the CIS went on nuclear safety, a figure of Ecu54m. Most of this was spent on "operational safety" rather than physical upgrad-ing on the RBMKs and virtually all of it went to western companies. Money spent on energy saving measures amounted to

Ecu21 million. In 1992, TACIS ceased to have an "energy" sector at all. It was replaced antirely by nuclear safety with a grant of

Ecu100m. Russian enthusiasm for nuclear energy may well be increased by a further Ecu3.3m TACIS grant to the new international Science and Technology Centre (ISTC) in Moscow. Funded with additional money from the US and Canada, Boris Yeltsin has decided to place this under the supervision of Minatom as a home for Russia's numerous unemployed nuclear scien-

In the view of nuclear sceptics, this is using western taxpayers' cash to promote

45 COUNTRIES AROUND THE WORLD BENEFIT FROM OUR INGENUITY BUT ONE COUNTRY BENEFITS THE MOST. BRITAIN.



At British Gas, not only do we supply the country with energy, we supply it with ideas.

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And it is these that have led to us developing many technological innovations that are currently to be found in operation both in and around Britain.

Take our On Line Inspection Service, for instance. This allows for the monitoring of gas pipes. meaning that possible faults can be checked and repaired before they become a problem, thereby

saving tens of millions of pounds each year.

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It is money saving innovations like these that have brought about great reductions in the gas bills of Britain's 41 million gas users.

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the eastern half of the country, we have fitted up to date and cost efficient new heating systems into apartment blocks.

However, with a worldwide gas market estimated to grow in size by 40% by 2005, even more countries should soon be benefiting from all our ingenuity.

And Britain will be the one to benefit most of all.

A WORLD CLASS ENERGY COMPANY

ELECTRICITY generation, one of the main causes of air pollution, has been one of the

central targets of environmental regula-

tion for decades. However the justification

for "green" measures is increasingly ques-tioned both by industrialists and politi-

There are no CO2 emissions from

nuclear power, but the radioactive wastes are very costly to handle

environment. Fossil fuels also produce car-

problem. Although not a pollutant in the conventional sense - it is present in the atmosphere - the rising concentrations

are thought to bring the risk of global

warming. EC figures say that in 1990 elec-

tricity production was responsible for 31

per cent of CO2 emissions to the air.

There are considerable national and

regional variations in these figures. In

France, for example, electricity generation is responsible for less than a third of sul-

phur dioxide emissions as nuclear power -

which emits none of these gases - is pre-

dominant. But nuclear power produces

radioactive waste, and its long term stor-

age brings further costs, environmental problems and political pressures.

### **POWER FOR EUROPE 4**

Bronwen Maddox hacks her way through the spreading jungle of green regulations

# Smoke gets in their eyes



Air power: the 103 turbines at the 31MW windfarm at Liandinam, Mid Wales, opened by a consortium led by Scottish Power and Japan's Tomen Corp, are said to be the biggest scheme outside the US

Attempts to tackle air pollution have resulted in layers of regulation. The World Health Organisation has guidelines on tol-erable levels of sulphur dioxide and nitrogen oxides, many of which the EC has adopted within its environmental direc-

The United Nations' Economic Commission for Europe (ECE) - most of the countries in East and West Europe plus the US and Canada - has separate guidelines and

Many of the earliest regulations were directed at sulphur because of rising pub-

protocols, and national governments have their own legislation.

dying forests. The 1985 ECE protocol on Transboundary Pollution called for a 30 per cent reductio on 1980 emission levels hy 1993. As a result, German power companies have fitted flue gas desulphurisation (FGD) equipment to almost all power stations, and are embarking on cleaning up the East German stations.

lic concern in northern Europe about

Britain has fitted FGD equipment, which costs some £200m per 1000MW of power generation, to only two stations so far, although the Department of the Environment argues that this will put the UK on course to meet commitments made et the

electricity privatisation three years ago. However, the protocol is currently being tightened; following the UK's recent decision to extend the life of some coal pits, it is unclear whether its sulphur emis will fall quickly enough to meet new stan-The most ambitious of the air pollution

treaties affecting the electricity generating sector is last year's Rio Earth Summit convention to curb international emissions of carbon dioxide. But energy taxes - the most commonly proposed tool for curbing demand for energy and reaching the Rio targets - are running into political

difficulty on many fronts. US President Bill Clinton has been forced by Congress to withdraw his first proposals for such a tax. The recent session of the European Commission's economic and finance committee failed to reach consensus on its plans for e tax weighted towards those fuels with the highest carbon content.

Environmentalists argue that although the regulatory measures of the past decade are welcome, they do not go far enough. Many pressure groups, including the Europe-wide Friends of the Earth, argue for an expansion of the use of renewable energy - wave, wind and solar power -

which at the moment makes up only a few per cent of EC energy use.

However, the cost of most renewables Is considerably higher than electricity produced using fossil fuels or even nuclear energy. A report for the UK government in November concluded that electricity from renewables cost two to three times as much as that from existing sources. If put the cost of electricity from coal, gas and nuclear at between 2.2p and 3.5p per kwh although it these figures do not reflect all start-up and environmental costs.

The report argued that expansion of renewable energy sources was possible but that it would take considerable government belp and subsidies. On that basis, it said that renewables could "plausibly contribute between 5 per cent and 20 per cent of 1991 levels of electricity supply by the year 2025, saving around 6 per cent of current emissions of carbon dioxide. Industrialists, however, are increasingly

There is scope for increased renewable energy, but State financial aid will be needed

concerned about the cost of environmental regulation and the effects on companies international competitiveness. Mr John Cox, of the UK's Chemical Industries Association, says: "we are particularly con-cened about the cost of electricity in the UK, which can be greater than that for Belgian or Italian companies. We support environmental protection if it is clearly going to improve the environment but anything which increases the cost of electricity puts UK companies at a greater disadvantage." The proposed RC energy tax would be "an ineffective gesture unless you get the measure adopted at the same time in the Third world".

As the European economies struggle to climb out of recession, they may pay closer attention to the costs of environmental regulation than in the past.

Electricité de France, the world's biggest utility, still rides high, says Niamh Kenny

# Where big is beautiful and rational

Europe's electricity market is that it was one of the world's higgest monopolies, Electricité de France, which has done most to promote the concept of a competitive electricity market for Europe by gaining eccess to customers ontside the borders of France.

Indeed, some say its initial (and abortive) attempts to sell power direct to German industry in the 1980s were the catalyst for the European Commnnlty's present efforts to enforce third party access (TPA) into the Continent's transmission grids.

EdF's aggressive export pol-icy sprang from expediency rather than ideology. It needed to raise revenna in order to fund its ambitious of nuclear plant construction programme in the 1980s, which was France's typically fortbright ouse to the oil scarcities of tbe 1970s. The export drive tben gained further impetus from the expectations of continuing economic growth.

When these hopes collapsed, EdF's heavy dependence on (accounting for 73 per cent of its total output at the end of last year) left plenty of spare capacity for export.

EdF pitched its prices at levels low enough to deter other European ntilities, notably Italy's Enel, from expanding their own generating capacity. Exports thus began to rise dramatically from the early 1980s, when plant completions began to swamp demand growth and again, after 1987, when the

INSIDE the control room of

PowerGen's Ferryhridge C

power etation in West York-

shire is a television screen

which alternates between giv-

ing information on the day's

forecast power demand and the

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not the only evidence at the

2,000MW coal-fired station of

the changes sweeping the elec-

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The long-term deal, won

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reflects the customer'e wish to

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reducing its workforce and sav-

ing money in the process. If It

goes well, similar deals could

follow. "Our competitors are

hoping we'll fall flat on our

faces, but we won't," says Mr

Philip Wilbraham, Prospect's

Recent events at Prospect

chairman and chief executive.

mirror the changing face of the

power supply industry, which

is creating new opportunities

to suppliers of equipment and

services but also forces them

to be more responsive.

tal Europe.

Earlier this year, Dunn Inter-

tricity supply industry.

The stockmarket display is

share price.

with Britain was completed. At the end of 1992, foreign sales stood at around 12 per cent of EdF's total ontpnt,

tinne rising, before eventually flattening ont et around 70 TWH hy 2000. Contracts have already been signed committing EdF to much of this addi-

underway, including the introduction of greater price transparency between its constituent parts. EdF's view of privatisation

earning it Ffr12.4hn. was reflected earlier this year Exports are expected to conin a series of highly critical reviews of the UK experience. The reports, which EdF commissioned from outside consultants, concluded that privatisation in Britein was characterised by price This sounds like the kind of Increases, economic disrup-

DESTINATIONS OF	FRENCH POWER	EXPORTS (twi
	1985	1990
Belglum	4,48	2.31
Germany	4.10	8.67
Italy	7.52	15.44
Spain	2.64	1.51
Switzerland	9.80	12.08
United Kingdom	0.13	11.93

open market trading the EC is keen to develop. But other European producers are beginning to complain that it is a one-way trade and that they have little access to the French market, despite some recent Import deals. Perbaps more seriously, they say they cannot complete against a company which is buttressed against domestic competition and which enjoys the economies of

scale of large monopoly. The hreak-up of EdF and its possible privatisation is something which many, including the European Commission, would like to see. Edf is expected to resist this rohustly, although some restructuring along EC lines is

tion, short-termism and, uiti mately, the replacement of a state monopoly with a monopolistic private one.

al Energy Agency/OECD Statistic

Nor is EdF enthusiastic ebont another Euro-hohhy horse - the "unbundling" of Its various interests to prevent cross-subsidisation. The benefits of an integrated business. it belleves, Include better prices and standards of service. It has the support of politicians, who believe that the French system works well. EdF has a point when it

comes to the domestic market. Its reliance on nuclear power. with ali the back-end costs that will nitimately entail, must surely rule out full privatisation. The inability to privatised the UK'e nuclear stock bas already proved the extreme reluctance of the private sector to accept nuclear risk. Privatising RdF's thermal and hydro stock would also, it

claims, increase prices. Yet there is pressure for change which is likely to become more insistent in the next few years.

Firstly, EdF is facing increasing generation challenges inside France which could hinder its export ability. Its stock of 900MW and 1,300MW pressurised water reactors (PWRs) have suffered a number of generic problems since the late 1980s, including faults in the steam generators and cracking of vessel heads. Repairing them is costly in money and time: replacing a steam generator, for example, closes a power station for

Capacity is also reduced during the company's regular and five and 10-year safety reviews, which currently last four months and cover about a fifth of EdF's reactor every

In spite of its surplus of baseload capacity, EdF has also found itself short of peak-load capacity, as seen in the drought of 1989 which sapped its bydro-electric ontont and ied to the import of some 6

A push into the space beating market has also increased EdF's sensitivity to temperature changes. It estimates that by the end of the decade each one degree C drop in temperature wili raise national demand on its system by 2,000MW.

Therefore, while export contracts are unlikely to be terminated, EdF is looking closely at two-way deals, such as the contract signed recently with Britain's PowerGen, allowing It to import up to 850MW at peak demand times.

A second export-limiting factor is the weakness of the transmission system. Spending on grid reinforcement bas taken second place to investment in new nuclear generation over the past two decades

EdF consultants say that private power in Britain is costly, short-termist and persistently monopolistic

and domestic as well as international lines are said to be near maximum loading

Finally, new entrants could come on the scene as the nuclear reactors near the end of their lives. Originally this was to have started to occur in the next 10 years, though EdF now intends to extend their operational life from 30 to 40

Whether this can he achieved remains to be seen. But either timescale would entail a largescale replacement programme, nuclear or other, which EdF can ill afford at a time when it is committed to reducing the foreign debt huilt up dring its last big construction phase.

☐ Niamh Kenny is news editor of FT Power in Europe

times and shortage of work

have also brought changes in

the European nuclear plant

supply industry. The co-opera-

tion between Siemens and

France'e Framatome to develop

EPR, the European Pressurised

Water Reactor, is an example.

Internal restructuring and

reorganisation: the mega-merg-

ers of the late 1980s were only

the start of a process that has

led to big increases in produc-

tivity and improvements in

in Europe, the mergers have

manufacturing effectiveness.

led to a concentration of pro-

duction of key components

such as gas turbines, and some

■ THE FUTURE FOR COAL

# The outlook is bleak but it's not terminal

COAL is coming under pressure as a power generation fuel in Europe, though reports of its imminent demise may turn out to be exaggerated; it will still be the largest single source of electricity in the region well into the next cen-

Two factors are at work. One is the policy of the Brussels Commission to reduce subsidies to the coal industry in the three major coal countries, tha UK, Germany and Spain. The other is the steady tight-

ening of environmental regulation. On one level this is reflected in the international commitments made at the Rio Earth Summit to cut down emissions of carbon dioxide, much of which is produced from power generation. On another, there is a raft of EC and national regulation aimed at reducing output of sulphur and nitrous oxides which are said to cause acid rain and other damage. Again, coal-fired power is partly to blame.

The main piece of EC regula-tion is the 1988 Large Combustion Plants Directive which sets emission ceilings extending into the next century. This directive is due to be reviewed next year, and the chances are that the ceilings will be lowered, putting further pressure

on coal-fired power. These trends are at thair most stark in the UK which has the largest coal industry in Enrope, hut where recent events have pushed it Into a state of crisis. Today, it finds itself caught between a government determined to put coal on to a commercial footing, and a power industry which finds other types of fuel, particularly

gas, more attractive.
Although the UK government was forced by a public outcry to review last year'e decision to close down more than half the country's surviving coal mines, it still hopes to begin privatising British Coal, the state-owned monopoly, towards the end of this year. Once that goes ahead, there is little reason why British Coal should not cut to half its size quite rapidly. All that will cushion the blow is a temporary extension of the subsidies.

The background to this is the steady erosion of coal's position in the alectricity industry. In 1980, the UK produced nearly 100m tonnes of deep-mined coal, and generated

over 70 per cent of its electricity from coal. Last year, power generators hurnt only 75m tonnes of coal whose share of power generation fell to 60 per cent. And this trend will continue. Research commissioned by the UK government for its coal review from Caminns suggested that the power industry will only need 40m-49m tonnes by the year 1997-93, and that coal's share could fall below 50 per cent by then. - --

Apart from the government's determination to phase out the £1bn-pius subsidies which the coal industry requires each year, the factors driving these

changes are mainly cost. The newly privatised UK electricity industry views coal not just as an expensive fue but as one whose appeal will not improve over time, principally for environmental rea-

Germany is seeking a new coal subsidy but Brussels wants this kind of aid to be reduced

sons. As a result of bygone energy policies, the UK has many of the largest coal-fired power stations in Europe, and the cost of cleaning them up is enormous. Drax, a 4,000MW station in Yorkshire owned by National Power, is being fitted with desulpburisation equipment at a cost of over £700m.

This daunting expense le making the power industry wary of leaning too strongly on coal. At the moment only one other plant is being desulphurised, and it is looking increasingly unlikely that that number will rise very far. Instead the generators are considering alternative ways of meeting the emission limits. These include running coal-fired stations for fewer hours, or abandoning coal altogether for cleaner fuels, in particular gas. A lot of gas station construc-

tion is already underway, and it is forecast that gas could account for the equivalent of 30m tonnes of coal-fired power generation by the end of the

The picture on the continent is not so stark. Countries with small coal industries are steadily winding them down as they become uneconomic. Belgium, once a big producer, stopped altogether et the

expects to stop in 2005. But the larger producers are resisting major changes to coal because of the employment it provides and the lack of alternative

In Germany, where hard coal is heavily subsidised and accounts for about a quarter of electricity generation, output is declining, but slowly. Consumption of coal for power generation, currently around 40m tonnes, is expected to decline to 35m over the next five years.

"It is a very different situa-tion to the UK," says Dr Adolf Spies, chairman of the German coal producers association. "We have practically no oil aod very little gas. Coal is the only resource we have . There is a

strong security argument." Germany is aiming to negotiate a new subsidy regime to replace the present one which expires in 1995. But though It bopes to make the new one more transparent, it will face pressure from Brussels which is trying to reduce aid in this area - other than for restruct-

uring or final closure. A wholly separate question for Germany is what to do about the East German coal industry which it inherited with unification. Based on highly polluting brown coal, it requires a vast clean-up.

Spain also supports its coal. industry, the costliest in Europe, through state aid and consumer eubsidies. But here too coal is probably at its peak. Spain's national energy plan foresees coal consumption levelling off, with an increasing proportion coming from

cheaper open cast sources. · Coal's deeply entrenched position will be its salvation for some time. One question is whether it could ever make a comeback as new technology allows it to be burnt-more cleanly, and production costs come down. Mr Crispian Hotson, chief executive of Ryan Group, an independent coal company in the UK which hopes to take advantage of the changes in the market, believes it could. He envisions number of small clean-burning power stations of 200MW close to coal sources. "Coal becomes an interesting husiness when they create genuine competition for it," he says.

David Lascelles

### EQUIPMENT MAKERS

# Demand rises for new products

acterising a period that, on the face of it, might seem relanational, a subsidiary of Hulltively quiet following the hased Prospect Industries, heavy recent restructuring of became the first company to be the European power equipment

> The two major companies formed from the mergers of the late 1980s, the Anglo-French GEC Alsthom and the Swiss-Swedish Asea Brown Boveri. have now been in business for

Along with Siemens of Germany, these three companies turn up regularly on the short lists for virtually all the Euro pean contracts for gas and steam turbines and - depending on the country - there are a handful of other names that can be guaranteed to be hid. ding.

However, while there have been no takeovers or mergers of such a scale since the late 1980s, there is plenty of activity, which can be categorised in a number of ways:

Apart from the Ferrybridge • Deals reflecting the chang-C contract, Prospect last year ing shape of Europe: the colpaid £10.im for Davenport lanse of the eastern bloc com-Holdings, which builds and munist regimes has fuelled refurbishes water cooling towintense interest in their power ers. The aim is to add an equipment suppliers, which is important international dimenmaking the concept of two sepsion to the company in the US arate western and aastern and, increasingly, in continenindustries less valid. ABB in particular has led the way into This is the kind of deal chareastern Europe with power-re-

lated takeovers and joint ventures in Poland. Czechoslovakia and Hungary. Siemens, too, has been in on-

off negotiations with Skoda Plsen of Czechoslovakia on a joint venture involving conventional thermal power plant. and both it and GEC Alsthom beve negotiated gas turbine joint ventures with companies in St Petersburg. In the short term at least.

the value of the eastern companies to their western owners or

Reforms in electricity supply are making plant makers more responsive and innovative

joint venture partners is more as a manufacturing source than as an entrée to eastern markets, wbose equipment needs have yet to be matched by finance. In contrast, the acquisitions and joint ventures undertaken hy the big equipment suppliers in eastern Germany have borne much greater fruit in terms of business won. because of the restructuring and modernisation of the ageing power industry in the new German states. • Deals involving non-Enro-

pean companies: the hig US

licensees and associates in Europe. General Electric signed e series of agreements in 1991 with Elin of Austria. and a year later with Ger-many'e Blohm + Voss, adding to the presence it has achieved in Europe in its own right and via agreements such as its 10 per cent stake in GEC Alsthom's European Gas Turbines unit. Westinghouse earlier this year signed a two-year co-operation agreement with Finland's Haka Strol to develop opportunities in the Baltic statas, and last year announced e far-reaching partnership with Rolls-Royce, the UK aero-engine group, which

equipment suppliere have

strengthened their networks of

 Sectoral activity: restructuring and reorganisation has

closures of plant associated with the relatively unfashionable large steam turbines, or with the nuclear industry. This has reduced the problems caused by manufacturing overcapecity in Europe, although the eastern Europe expansion has partially offset that. Looking ahead, the big question is whether any further major restructuring of the is likely. should strengthen both companies' position in the European market and elsewhere.

continued in product sectors where suppliers that have traditionally relied on national buying preferences are having to adapt to global market opportunities, technological competition, and their own manufacturing overcapacity. The boiler industry, for example, has seen a number of

deals in recent years involving

companies in the US, western

and eastern Europe. Long lead

European power plant industry At present, it is difficult to foresee anything on the scale of ABB or GEC Alsthom being created. Damand for new power capacity in Europe may he growing at only about 2 per cent a year, but the suppliers are operating in a global markat where there is enough work to keep the equipment producers reasonably busy. But the European suppliers will be continuing efforts to

Andrew Baxter

increase their profitability

through further internal cost-

reduction efforts, hringing It

more in line with that of their

US rivals.

# **Fallout of Soviet power**

☐ Continued from Page 2 a technology in Russia that is

not being developed elsewhere. The anti-nuclear lobby has a dilemma in relation to eastern European and CIS nuclear power. Few can suggest that the safety issue should be ignored. Yet it is clear that expenditure of money on safety at various plant is seen as justification for their continued operation.

The original perception was that many of the more dangerous plant would be handed over to western contractors for safety upgrading. Siemens put the price at hetween \$150-

\$180m for a VVER 440MW reactor. Yat Minatom has now stated that it feels fully confident of its own technological skills and wants to limit western involvement to improved monitoring and training, for reasons of national pride as

Yet if the plan is to go ahead with 12 more reactors before 2000 in a Russian nuclear revival, then safety remains a potent question mark over Russian technology

well as money.

If the Russians have radically improved their record of "human arror", the number of incidents resulting from equipment failure is rising.

The prefarred solution of anti-nuclear groups, the industry's replacement by gas-fired capacity is perfectly possible and might even be cheaper than a full safety upgrade to western standards. Yet such a shift to gas would worry western gas and power utilities, counting on Russian supplies. Minatom remains at the centre of a power sector which has hardly suffered from the disintegration seen in the oil sector.

keep it there. Chris Cragg is editor of FT

The nuclear programme will

### **POWER FOR EUROPE 5**

SUCH WAS the public furore over the UK government's pit closures programme last October that it seemed that only a fundamental change on energy policy could get

mens of the spense.

cope for increased

e energy, out State

aic wir. be needed

ministers off the book.

Six months tater, however, Mr Michael Heseltine, trade secretary, won parliamentary support for a programme which was remarkably similar to that which led to the original decision to close 31 pits.

Although 12 of the pits were reprieved and another six mothballed, the stay of execution for some, and probably most, will be short, and British Coal has already given notice that it wants to close three. The problem is that the government did little to create the room in the market essential for their survival.

That means that towards the end of the century, the fuel constituents for electricity, the main market for coal, will be used in much the same proportions as were envisaged before last October.

Coal will still be the largest element, with perhaps 40 to 50 per cent of electricity in England and Wales being made from it. But that compares with about 70 per cent

Between 1990 and 2000, electricity generated from coal will decline from 70 per cent to 40-50 per cent

in 1990. The difference is mainly accounted for by the growth of gas, which may claim 25 per cent of the market against nothing at the beginning of the decade. Nuclear power, strengthened by the opening of the Sizewell B plant and improved efficiency, has the potential to increase its 23 per cent

Coal has been in constant decline since the second world war but few production drops have been as steep as that between last year, when 65m tonnes went to the

Michael Smith on the imminent collapse of the remnants of Britain's once great coal industry

# Locked out of the new market

generators, and next. So far at least Brit ish Coal has the promise of only 30m tonnes in 1994-5. The fate of the 12 reprieved pits depends largely on how much more the corporation can persuade the generators to take, but this is unlikely to be more than 8m tonnes, enough to sustain perhaps half of the dozen pits and none of the further six which have been mothballed.

The sharp sales drop is down to two main factors. The first is that the economics of huilding power stations are such that all new power stations under con-struction or being planned will be gas-

The government's coal review sparked vigorous debate about whether electricity from new gas stations was cheaper than that from existing coal plants, but tha generators have no doubt about which form of electricity is cheaper if building a plant from scratch.

PowerGen, the generator, says tha 900MW station it has opened at Killingholme, Humberside, this year has taken three years to build, half the time a coal plant would take. The station will be run by 36 people, less than a fifth of the staff needed for a conventional coal-fired sta-

But if that helps axplain why gas is preferred by generators it does not in Itself account for the extraordinary speed of the dash for gas. There is a surplus of electricity in the UK; so why build more plants so soon? The answer has lta roots three to four years ago when electricity was priva-



Winds of change over England's big generators: a merry-go-round train from the Yorkshire coaffield delivers tuel to Ferrybridge power station

tised. The move to gas would probably have happened anyway. But it has been speeded by the government's creation of just two generating companies,

Fears of the two companies exercising a

duopoly influenced regional electricity companies in deciding whether to belp build gas-fired generating plants; 11 of the 12 have done so. Their participation was essential because they can provide guaranteed markets for the output. Supporters of the coal industry say the

competition from gas is unfair because the recs (regional electricity companies) can pass on the costs of the electricity they produce to consumers. The recs, after all, have signed 15 year contracts with the gas generation companies they partly owned hut only five year deals with the coal

However, the UK electricity regulator has ruled that the recs made sound economic decisions in setting up the plants.

In the coal review ministers came under strong pressure from the parliamentary industry select committee to restrict the access of gas to the electricity market. As if to emphasise its rejection of this approach, the government, on the day the white paper was published, gave planning consent to a large gas-fired generator at Connah's Quay in North Wales.

In doing so it was able to emphasise its free market approach. More important, a halt on the dash-for-gas could have landed the government with a myriad of compensation claims. It had, after all, always encouraged the recs' diversification and the move into gas generation.

Ministers potentially had more leeway with nuclear power, as it owns all the mines will survive in the long term.

Privatisation has altered the corporate culture, says Michael Smith

major nuclear companies, including Nuclear Electric and Scottish Nuclear. Again it resisted any curbs on future gen-

Failing to bring Sizewell B in Suffolk on stream was never a serious consideration but at one stage the ageing magnox reactors appeared in danger.

Again money was a primary consider ation. Closing them early would have hit inflows into the Treasury at a time when public finances are tight.

Perhaps in an attempt to balance this lack of action, the government claimed some success in cutting back orimulsion, the hitumen based fuel imported from Venezuela. The coal white paper suggested that Venezuela had volunteered a cut of 500,000 tonnes of coal equivalent a year. This was at the margins anyway and would not save even one pit.

Shortly afterwards, however, BP Bitor, sole importer of the fuel, said it expected existing sale levels to continue.

So what did the white paper change? The major difference between the October plan and that now in place is that the

The move to gas was inevitable, but was speeded by the creation of the two generating companies

government has introduced the idea of

between imported coal prices and those produced from the 12 reprieved pits.

The caveat is that British Coal must

first find a market for them. Given that the UK last year imported 20m tonnes of coal, that in theory should not prove too operous. However, at least half of the imported product is of a specialist nature not easily accessible in the UK.

That perhaps means that 10m tonnes can be displaced by UK coal. The hope is that by the time the subsidy is withdrawn, at the time of the coal industry's privatisation within two years, soma of the reprieved mines will have got the costs down to a level where they can compete effectively with imports. Perhaps some of the mines that British

Coal no longer wants will be able to compete with imports in the private sector. However, few analysts believe that more than a handful of the reprieved or closing

The UK nuclear sector enters a new phase of uncertainty

# Once more to Sizewell

BRITAIN'S nuclear industry experienced an uncomfortable winter awaiting the results of the UK's coal review. It emerged intact, and arguably fortified. Now it must go under the microscope, and this time there is much more at stake. As part of the coal review

the government brought forward by a year the nuclear review which It promised in 1989 when it decided, or was rather forced by the City, to keep the industry in the public sector rather than privatise it along with the rest of the electricity sector. The government is expected

to poblish the terms of reference within the next few months and to launch the review later in the year. Environmentalists fear that the wide-ranging debate they have long hoped for will not materi-

Nooetheless the review will set the framework and could decide whether Britain should build a Sizeweil C nuclear station in succession to the Sizewell B station, in Suffolk, to be completed next year.

Separately, the nuclear industry is to learn - it hopes before the start of the nuclea review - whether it can commission the Thorp nuclear processing plant in Sellafield. A second public inquiry, following the first in the 1970s, is conceivable if unlikely for the £2.8bn plant which has orders, many from overseas, worth

£9bn for the first decade. Nuclear industry executives go into this period of uncertainty armed with what they feel is ample evidence of the value of nuclear power.

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Improved efficiency has helped Scottish Nuclear, one of the two etate-owned nuclear electricity producers in the UK, to increase its output from 12.2 terawatt hours three years ago to 14.3 last year, a 25 per cent increase achieved from the same plant, and it expects 15.1 twh this year.

Two years ago It cost 3.2p to generate a unit (kilowatt hour) of electricity, but that is now down to less than 3p and the

target for 1994-5 is 2.5p.
Meanwhile, Nuclear Electric, SN's much larger equivalent in England and Wales, has increased its share of the eleccent, up from 16 per cent in

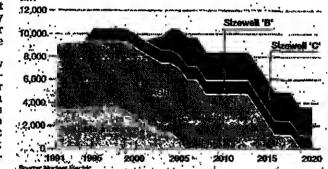
THE SHARE of oil used for

electricity generation in Europe has been increasing

prices, but this follows a wave

recently because of low oil

Total UK nuclear electric generating capacity



1989-90. Staffing levels are fall-ing fast, from 14,200 at the start of the decade to about 9,400 by next March.

frey, Scottish Nuclear chief executive, one of the main tasks he and and his colleagues have to perform in the nuclear review is to tell the world that output and efficiency are going up and costs down. "We have a successful story to tell," he says.

The environment lobby disagrees, and is pressing for the review to be more wide-ranging than the government has indicated it will be. Dr Patrick

tions at £30bn, nearly double industry estimates. In a recent report, The

National Audit Office said tax-According to Dr Robin Jef- payers may have to pick up some of the bill for decommis-sioning civil nuclear facilities, notwithstanding the £1.2bn a year paid by electricity consumers for the nuclear levy created to meet decommissioning costs

One fear of Nuclear Electric is that pressure from large electricity consumers, backed Offer, the electricity industry regulator, will lead to a reduction in the lavy.

However, on another issue

The nuclear lobby argues that nuclear power is a necessary ingredient of a balanced energy policy

Green, a Friends of the Earth campaigner, believes ministers want to limit the review to whether the "market" wishes to build new power stations. That means, he says, that

aspects including waste management, decommissioning. financial controls and government cover for future liabilities, will be brushed aside. That is a mistake, be says. "It is certain that before the private capital markets even begin to contemplate seriously the prospects of investment in new nuclear power stations, potential investors will want to know who will be responsible for covering risks and liabl-

Rehind this lies tha belief among environmentalists that the UK is already aeriously undercovered for future liabilities. FoE puts financial liability associated with the UK's existing civil nuclear installaraised in the coal review, that of whether its eight Magnox stations should be closed early, the company believes it is safe. Magnoxes have been examined thoroughly and we got a result," says Mr Bob Hawley, Nuclear Electric chief execu-

government says they should keep going for as long as they are economic and we will be pressing that their lives If it loses the case for exten-

sion, Nuclear Electric's share of the England and Wales market will start to fall in the late 1990s from its likely high of 25 per cent next year when Sizewell B comes on stream. Scottish Nuclear will also be pressing for an extension of the life of its Hunterston B advance gas cooled reactor station. For crucial issue is Sizewell C: Nuclear Electric because It will

Environmentalists and econ-

Britain has an energy surfeit for the foreseeable future, and the short term advantage of gas-fired over nuclear power is overwhelming. The £3.4bn cost of huilding Sizewell C compares with £290m which Power-Gen, a rival generator, spent on building a station with two fifths of Sizewell C's projected

response also mixes environntal with economic considerations. Nuclear power is a necessary ingredient of a balanced energy policy, it says, because it has no carbon dioxide emissions and can therefore provide a future for coal, which has Mr Hawley also argues that gas prices will rise. The nuclear input price is next to nothing," ha says. "Few people deny that nuclear

from now.' So why not build the stations then? "Put Sizewell C off and all project management skills will go," says Mr Hawley. Britain would lose countless

in the review the government will need to consider where the money will come under pressure from a growing public sector borrowing requirement, the chances are that It is likely to test the waters for private funds.

The last time it tried to inter-

build and own lt; Scottish Nuclear because Sizewell C's go-ahead would increase the station, Hunterston C, for commissioning around the middle of the next decade.

omists will mount a powerful case against Sizewell C. Nuclear building moratoriums are in place throughout Europe, often in countries with far less natural resource alternatives than the UK.

capacity. The nuclear Industry's

will be needed two decades

opportunitles to export its

est the City in nuclear power it received an unequivocal negative response, the direct cause of the nuclear review now being planned. There is little to suggest that financiers bave changed their minds about a nuclear industry in the private sector with what they see as uncertain liabilities for the

Michael Smith

A shareholding workforce WALK INTO the headquarters of the 16 privatised electricity

generating and distribution companies in the UK and you will soon see a televielon screen relaying the latest share prices in the sector. The information on the screens is in constant demand bumhlest employees, nearly

in their company bonght at privatisation. Employees tend to know bow their company and its rivals are faring on the stock market.

According to industry executives the screeus and the interest shown in them symbolise cultural transformation which is producing a more competitive atmosphere than before privatisation. The claims are exaggerated

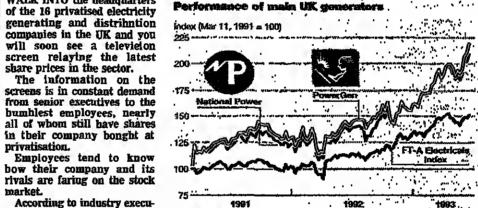
but there have been significent changes. Electricity companies have become more outward looking and more focused on what they should and should not be dotug.

Although they are constantly attacked for making excessive profits - or rather the government is attacked for permitting them to do so - the standard of their service has not become a significant issue as It did for BT, after the telephone system was privatised.

According to Mr Stephen Littlechild, the industry regulator, companies have than met the standards he has laid down. These include guaranteeing that electricity must be restored within 24 hours of a snpply fault and replacing a company fuse within fonr

A source of friction with poorer customers has been reduced hy the 62 per cent drop in the number of discon nections in Britain

Tha Clty approves snch because it means there is also



less friction with the regulator - hnt it is much more interested in how the companies are raising their efficiency to

influence profits. Critics of privatisation feel that job cutting is viewed in

symbol.

the City almost as a virility Thus Eastern Electricity, the the interests of political stabillargest company, was marked ity. In the new climate the

The industry's regulator says that it has more than met the standards of service to customers that he set down. But the City is more interested in how

down until recently because some analysts viewed its management as too slow to reduce workforce. Its shares perked up this year following a job shedding announcement.

companies have atched the job cutting rate of National Power. Staff numbers there have been reduced from 17,000 at privatisation three ars ago to less than 7,400

The effect on profits has been dramatic, according to Mr John Baker, chief execu-

Productivity in the last year. when jobs have been reduced

it has raised efficiency to push up profits unions have been exceedingly constructive. It is a different

by 4,000, has risen by 25 per

cent and salary costs hy 12 per

Mr Baker says this would

"Management would have

not have been achievable if the

company was still in the pub-

been invited to back pedal in

lic sector.

PowerGen, the other generator, is down to 4,900 staff from 9,000 three years ago. Regional companies have been cutting too but less savagely, they argue, because they had less fat. Midlands Electricity is typical having cut about 800 jobs from more than 8,000. In cutting such large num-

bers electricity companies bave taken active steps to avoid alienating those that are

Sonth West Electricity, for example, hired Charles Smith

Associates, a management con-sultancy which helped Rover improve its staff morale.

Performance related pay is also being introduced. For example, Seehoard recently concluded a deal for more flexible working and performance pay with retail staff. hoping to motivate staff hy making down-line managers

more profit-oriented. East Midlands electricity recently rationalised 13 so-called cost centres into seven "profit centres". Headquarters staff is being cnt

accordingly. In introducing all of these changes companies have been belped by a stream of healthy profits - some recs almost doubled profits in 1991-2 and are showing healthy rises last year. This in turn has enabled

salaries to remain high. The exceptions are retail and electrical contracting employees who have seen their salaries fall as management have brought salary structures in line with the market. Elsewhere higher than everage salary rises have been common. This year, at a time when public sector rises bave been restricted to 1.5 per cent, electricity workers have enjoyed rises above that, and in some

cases above 4 per cent. But the biggest financial gainers have been the senior

Most chairmen and chief executives of regional electricity companies earned between £50,000 and £70,000 before privatisation and hetween £150,000 and £200,000 a year later and significant increases

have followed. If the rises continued last year - they will be revealed in annual reports in the next few mouths - the Labour Party, which opposed privatisation, and others are likely to make political capital.

Deborah Hargreaves: oil stays on the sidelines but a sticky newcomer is knocking at the door

# Orimulsion gets a toehold in Europe

of sbutdowns across Europe with many oil-fired power tions lying idle for much of the ucing electricity had halved to 44m tonnes a year - with most closures being made by 1985. Orimulsion - the bitumenbased fuel - is trying to make inroads Into the European power market but has yet to make much of an impact outside the UK. The high oil prices of the

early 1980s forced a massive shutdown of oll-fired power stations across Europe, Governments are wary of becoming too dependent on oll-fired or coal to oil and vice versa at power because they could be short notice. Few countries are held to ransom by Middle East actually building new oil plant producers over oil prices. As a result of these trends, much oil plant is held in reserve to cope with peaks in demand or to replace nuclear or hydroelectric power plants when they

are not available. Power generators in western Europe used some 80m tonnes of heavy fuel oil s year in 1980. By 1991 the use of oil for prod-

Recent falls in oil prices have driven some countries to increase their use of fuel oil in power stations. According to the International Energy Agency, the OECD energy monitoring group, a large proportion of the power plants in Ireland, Italy and the Netherlands can be switched from gas

although some are looking at the use of orimulsion - a bitumen-in-water emulsion fuel produced in Venezuela. Italy accounts for almost half of the oil that is burned in power stations in westarn Europe. It remained committed to oil-fired electricity long after

many of its European neigh-

bours had closed much of their plant, partly because oil had been the traditional choice of power station fuel in the country. It has no indigenous coal and Rome had imposed its own moratorium on building

Oil consumption has increased recently but it is still only a fraction of what it used to be before the world energy crises of the 1970s

nuclear plant. Italian power stations currently burn around 800,000 barrels a day of oil to produce 28 per cent of overall electricity supply. This compares with 70,000 b/d in the UK, where oil plants make up 19 per cent of electricity capacity, and Portuits electric power from oil. Spain and France turn to fuel oil when they cannot obtain enough hydro-electricity, hut have no plans to increase their exposure to oil. France has capacity to take 6 per cent of its permanent electricity supply from oil and, in Spain, oil accounts for 15 per

gal, which gets 25 per cent of

The oil-fired generating capacity that remains ln Europe is there more by chance than planning and few countries are looking to build new oil-fired stations. However, existing plants are cheap to run as oil prices have declined - crude oil is currently at its lowest level in real terms for 20 years - and they are less polluting because of a switch to low-sulphur fuel oil by generators.

oil plants were using 90 per cent high-sulphur fuel oil, but the increasing cost competitiveness of low-sulphur oil and tougher environmental restrictions have prompted a move into the low-sulphur variety. The Italian electricity industry now uses around 80 per cent low-sulphur fuel oil and only 20 per cent high-sulphur.

About five years ago, Italian

The cost advantages of low sulphur fuel oil means it will compete very strongly with the advent of orimulsion which is trying to break into the European market. So far, orimulsion has made an inroad only into the UK where two orimulsion-burning plants have been opened by PowerGen: Ince on Merseyside and Richborough in Kent

Spain has also signed a contract for the use of 1m tonnes of orimulsion a year in its Fenosa Sabon station which has a capacity of 440 MW. But planning permits for the construc-The UK currectly burns delayed its go-ahead. about 1.3m to 1.5m tonnes of

As Orimulsion is priced to compete with internationally traded coal, those who use it would not be exposed to volatile oil prices

orimulsion a year. However,

National Power, the other UK

generator, is considering a

large development at Pem-

broke in Wales which would

burn between 3m and 4m

tonnes of orimulsion.

tion of the station have The viscous fuel came under

heavy attack as a dirty fuel in the recent debate about coal in the UK, but BP Bitor, its importer into Europe, argues that its environmental properties are no worse than those of any other fuel. The company points out that the fuel emits less dust, nitrous oxides and carbon dioxide than most British coal, but admits that it emits more sulphur than coal.

BP Bitor is hoping to import between about 20m into Europe by 2000 using the UK as a bridgehead. The company is hoping to increase this to 30m tonnes by 2005, and expects to see at least one more power station burning orimuision in Europe hy the end of next year. Demand is expected primarily from Portu-

gal, Denmark or Italy. Mr Simon Jacques, industry analyst at Caminus Energy,

the consultancy group, believes the development o orimulsion will be a political issue: "It will depend on whether European governments will allow the utilities to

sign contracts for the fuel." Orimulsion is priced to be competitive with international coal prices which means that companies using the fuel would avoid exposure to highly volatile oil prices. Coal prices are expected to remain flat in the foreseeable future, but oil prices are also flat at the moment. If oil prices were to go through a volatile period of rapid increases, orimulsion could prove an attractive com-

BP Bitor points to the difficulties in getting agreement in Europe for any kind of power plant and believes it could take a lot longer for orimulsion to catch on than was originally

thought "It's frustrating for us, having made the investments that it takes a little longer for the market to consume it, but it's not going to kill the thing," it he letter from Mr Alastair

Ross Goobey, Postel's chief executive, informing the chairmen of FTSE-100 companies that in future he is "minded"

to vnte against three-year rolling

contracts for directors, has added a

touch of spice to the row over big psy-offs for Britain's business

As bead of the country's largest

pensinn fund, which owns 2 per

cent of most UK-quoted companies, Mr Ross Goobey's thoughts carry

some weight in British boardrooms.

His concern is not that executives receive excessive rewards for doing a good job but that they receive huge pay-offs having failed to come

The cause of these excessive pay-

ments is more often than not a

three or five-year rolling service contract, which are permanently

to run before expiry.

Certainly there have been a num-

ber of well publicised pay-offs for

senior executives in past 18 months.

Lasmo, the oil services group, came under fire from shareholders earlier

this year for a £2.2m pay-off to Mr Chris Greentree, Its former chief

executive. It was the result of three-

year rolling contract. Glazo is said

to have paid about £3m to Mr Ernest Mario, its former chief exec-utive and deputy chairman, after he resigned following a disagreement with Sir Paul Girolami, Glaxo's

chairman. In March BP revealed

that it had paid £1.5m to Mr Bob

Horton when he was ousted as

These are just some of the bigger

say-offs in the past 18 months. But

is it as worrisome a problem as Mr

According to Pension & Invest-

ment Research Consultants, an

organisation which advises share-

holders on corporate governance

issues, only 20 of the FTSE-100 com-

panies have directors with rolling

service contracts of three years or

more. This may suggest long rolling

contracts are less common than

Mr Richard Weir, director-general

Association, confirms that a num-

quiet pressure on the issue for some

his members remain very con-

number of companies where three-

Not all fund managers and insti-

tutions, however, are in agreement

that Mr Ross Goobey's solution -

voting against the creation of three-

executives are the norm.

chairman last year.

Ross Goobey suggests?

many believe

umed to have three or five years

up to scratch.

# Setback for EC state aid controls



Court of Justice has overturned the Commission's 1991 communation the transparency of financial rela-EUROPEAN tions between COURT member states and public companies

in the manufacturing sector.

The court gave its decision in judicial review proceedings brought by France challenging the communication. The challenge concerned the information which the Commission cleimed to be entitled to request from member states by way of implementation of the 1980 directive on transparency in financial relations between member countries and

The 1991 communication requires EC states to provide the Commission with an annual report of the financial assistance given by public authorities to pub-lic-sector manufacturing industry with over Ecu250m turnover in the previous financial year.

Details to be provided range from the annual report and accounts to every kind of aid including grante, guarantees, interest free loans, capital investments and dividend information. The purpose is to enable the Commission to assess the compatibility of the aid with the Rome Treaty and in particular whether investments have been made on a commercial basis.

The two main questions considered by the ECJ were whether the communication went beyond the scope of the 1980 directive and . if so, whether the Commission had identified the legal hasis which gave it the power to do so.

The Commission claimed that the communication added no new obligation to those already imposed on member states by the 1980 directive. Accordingly, the communication could not be considered to have any new legal effects distinct from the 1980 directive. It was merely a particular measure applying the general information rules established by the 1980 directive.

The court ruled, first, that the obligation for EC states to communicate on a general and systematic basis data required by the Commission was not inherent in the

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European 1980 directive. The latter required only that member states keep certain information on their financial relations with particular companies for five years and communicate it to the Commission on request. Since the communication adds new obligations to those in the 1980 transparency directive, It is an act intended to have its own

legal effects. Second, the ECJ found, there fore, that the Commission bad breached the requirements of legal certainty, a general principle of Community law, in failing to indicate the legal basis for the com-

The annulment by the ECJ of the communication is likely to throw into disarray the Commission's state aid scrutiny policy but will not necessarily affect the ment of particular state aids granted by member states.
C-325/91: France v Commission.
ECJ FC, 16 June 1993.

Matra loses state aid battle against Ford/VW

As a sequel to the recent Cook case, the ECI has reconfirmed the principles relating to judiciel review of Commission state aids decisions which it clarified in that case. The case concerned aid granted by Portuguese public authorities amounting to Esc97.44m for a Esc454m investment in a car plant by Ford and VW at Setubal. The majority of the old was paid under the Portuguese regional aid policy approved by the Commission in 1988. Matra challenged Brussels' decision not to open a full investigation.

The court upheld the Commission's decision on the facts of the particular case. It found no grounds to interfere with the Commission's assessment of the risk of overcapacity in the industry or of the geographical disadvantages which Setubal undoubtedly had because of its distance from the main car markets.

Applying the substantive principles on which the court says it can review state aid decisions made by the Commission, it considered that the Commission had not exceeded its powers of assessment C-225/91: Matra v Commission, ECJ FC, 15 June 1993.

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# The gravy train bumps along

The row over big pay-offs for UK corporate directors is picking up steam, writes Robert Rice



tional investors to interfere in what is essentially a management issue. This has prompted the suggestion in some quarters that the real reasoo the institutions are reluctant to do anything about it is because many of their executives are themselves on three-year rolling contracts. Mr Weir says this is unfair. Five of the 20 FTSE-100 companies identified by PIRC as having directors with three-year rolling contracts are themselves institutional investors: BAT Industries (owners of Eagle Star Insurance), National Westminster Bank, Prudential Cor-porstion, Royal Insurance Holdings

and Sun Alliance. But on the whole,

of the Institutional Fund Managers he says, "long-term contracts in the City are the exception rather than the rule." Two of his larger mem-bers, M&G and Mercury Asset Man-agement, have switched to one-year ber of institutions has been exerting time, and the trend is now towards one-year contracts. Nevertbeless, But if most institutional investors cerned that there is still a sizeable are not going to follow Mr Ross Goobey's suggestion and vote year rolling contracts for senior against all new three-year con-

tracts, bow will the executive gravy Mr David Dalgarno, a company law partner with London solicitors Warner Cranston, believes large pay-offs are both legally unneces

year rolling contracts - is the best means for forcing the pace of sary and arguably improper. change. Mr Weir says many of them They are legally unnecessary feel It is inappropriate for institubecause there is a duty on the

departing director to mitigate his financial loss after losing his job. It should be possible even in the current employment climate for most senior executives to find another job within a year to 18 months, he says. No company therefore should agree to pay out much more than one year of a three-year contract except in exceptional circum-

stances, he says.

Large pay-offs are arguably improper because section 312 of the Companies Act 1985 makes it unlawful for a company to make any payment by way of compensa-tion for loss of office without shareholder approval.

n reality, however, section 312 only applies to payments to directors in connection with their office as directors. It does not apply to payments in respect of any post they may have had as employees of the company, More importantly, it does not

apply to any payments which the company is contractually bound to make, nor to any bona fide payments by way of damages for breach of contract, or any pension payments in respect of past ser-vices. These exceptions are wide enough to ensure that the company's approval is rarely needed for golden handshakes,

One solution might be to reduce by law the maximum length of service contracts which can be agreed by a company's remuneration committee without shareholder approval. At the moment shareholder approval is needed for ser-

vice contracts exceeding five years.
The Cadbury report on corporate governance recommended that in future service contracts should not exceed three years without shareholder approval. Even so, most com-panies beliave that sharebolder approval would still not be needed for three-year contracts.

Mr Dalgarno believes that the solution lies in changing the corpo-rate culture towards executives' contracts. Few disagree with that. Mr Weir, for one, says that legisla-tion would be "too inflexible and ways can always be found around it". The only alternative, be believes, le a market solution. Shareholders and fund managers must persuade companies to restrict service contracts.

The question is bow to go about changing the culture. Mr Dalgarno says companies should be encour-aged to move towards individual performance contracts which set out in detail what the director is expected to achieve. If those expec-tations are met then the rewards will be aubstantial. But there would be no pay-off for failure.

Mr Edward Walker-Arnott, senior

partner of City solicitors Herbert Smith, agrees that a change in the culture is needed. But he would not link performance bonuses to job security. Unless the non-executive directors are very vigilant most incentive packages are not very well-policed, he says.

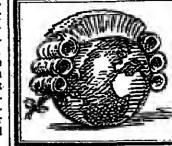
From the legal point of view the problem is caused by a combination of service contracts of more than a year and the refusal of the courts to make judgments in areas of incompetence. "Courts hate areas of business judgment. They are not going to say that alleged incompetence by a chief executive amounts to a breach of an employee's legal obli-gations towards his employer," Mr Walker-Arnott says.

The solution, he argues, is to "play it much thugher on contracts". There should be a presumption against service contracts of more than a year.

But companies are becoming increasingly aware of the adverse public impact of large pay-offs, Law-yers are just as likely these days to be asked about the perception of a severance deal as they are about the legal parameters of what is proposed, Mr Walker-Arnott says. Mr Ross Goobey's solution may

not be to everyone's liking but by focusing on the issue he may yet prove to have provided the brake that finally brings the executive

**PEOPLE** 



### Multinational partnership in London

oudert Brothers, the world's oldest international law firm, will this week formally celebrate the creatinn of what is arguably the UK's first fully fledged multinational law firm. Its birth has been a difficult one. Coudert has been operating in London as a US law firm since 1960 and in March 1990 joined forces with English solicitors Beharrell Thompson & Co, a firm specially created in anticipation of a relaxation in the English rules preventing solicitors joining in multinational partnerships.

The three-year delay in incorporating Beharrell Thompso into the Coudert fuld was caused by initial difficulty posed by Law Society rules requiring registratinn of foreign partners, and because of negotiations between the US internal Revenue Service and the UK'e Inland Revenue on taxation of partners' earnings.

Condert'e London office has 24 lawyers - 20 solicitors, 3 US attorneys and one dual US/English qualified lawyer. The intention is to register 21 or 22 of Coodert's 130 partners as partners of the London nffice. The London partnership expects to expand to 40 lawyers by the end of next year.

### Judicial review

tatistics show that applications for leave to challenge decisions of public bodies by judicial review have increased dramatically in the last decade. But these figures greatly exaggerate the use of the procedure and its effectiveness, according to a study by the UK's Public Law

Any "explosion" in the use of Judicial review has been limited to immigration and homelessness. according to the report. In other areas legal challenges to the decisions of public bodies are still infrequent and often unsuccessfol.

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### A different type of finance director



Building producte and packaging group Norcros has filled the slot of finance director vaceted when Robert Alcock was promoted to group managing director earlier this year by headhunting Cavin Morris, former chief executive of United Precision Industries. "We were looking for e different type of finance director, not one from the narrow disci-pline of accountancy" says chairman Michael Doherty; he and Alcock are both from the

profession which is more than Morris does indeed have an

universities in the US and Germany during that course, he worked for three years at Citicorp before taking an MBA at the University of Chicago. He then went to Bain for five years, before joining United Precisinn Industries as commercial director of the management buy-in of RHP Bearings. The company was restructured and sold to Nippon Seiko in 1990; he took over as chief executive from Alan Bowkett who went to Berisford. Since then he has been involved in merging NSK's European businesses - helped by his fluency in German and Spanish as well as his workable French.

At the same time Norcros, which has been going through a long restructuring phase, announced that EMAP group managing director David Arculus will join the board as a non-executive director. "Coming from the magazine and newspapers business he has a very different outlook on life' Doherty explains. "Producing e product that is waste paper tomorrow if you fail to deliver it to your customers gives you a far greater sense of immediacy." Arculus meanwhile has hitherto not taken on other non-executive positions; Norcros will give him his first taste of the world of manufac-

atypical background for a finance director. Having gained a first in psychology turing.

### LET loses retail property director

John Newman is leaving London & Edinburgh Trust, the Swedish- owned property company where be is director in charge of retail property. His departure comes at a time when the group is increasing its emphasis on investment rather than development. Newman, 59, was responsible for some of LET's largest development projects, including the Bull Ring in Birmingham, the Peacocks Shopping Centre in Woking and tha Queen's Street development in Cardiff, which is under con-

struction. When Newman leaves at the end of June, his responsibilities will be taken over by Nicholas Sheehan, the group's managing director.

Newman joined LET in 1985 from Robert Fleming & Co where he had been director in TIONAL HOLDINGS.

charge of their property investment and development portfo-

SPP, part of Trygg-Hansa, Scandinavia's largest insurance company, which bought LET for £491m in 1990, has been bringing the management of LET under increasingly direct control. John and Peter Beckwith, the founders of the company, resigned from the board last September.

■ Ian Fletcher has been appointed financial director of Amey-Hynd: Kevin Bailey has been appointed financial director of Compactors Engineering, also part of AMEY.

Alan Crane, formerly e director of Bovis, has been appointed ceo of the international consulting group of HUNTINGDON INTERNA-

### James Capel finds chief strategist ...

international institutional equity management at Citlhank Global Asset Manage ment, is crossing the fence to become broker James Capel'e chief investment strategist.
Alastair Ross Goobey and

Martin Paling, Capel's strategy duo, both left earlier this year, and both for fund manage jobs. Ross Goobey went to become the boss of Postel, running the country'e largest pool of pension fund money; Paling, who then briefly stepped into his shoes as chief investment strategist, moved to Baring in May, and will be in charge of asset allocation in the Pacific and South East Asia based in Hong Kong. Keith Skeoch, Capel'e chief

economist, points out:"Alot of clients do not think that strategy is done that well at brokers, which is why we wanted someone from the other side of the fence. Peter also has a much more up-to-date knowtechniques from the coal face." Capel meanwhile offers Chambers "a bit more time to think" than he would have in daily charge of a large investment portfolio, as well as the chance to develop a much higher public profile, according to Skeoch. in line management terms. Chambers will report to

Skeoch but the latter sevs that the relationship will essentially be "primus inter pares' with the two on the road together making presentations. At Citibank, Chambers had established a particularly consistent record in European equities. According to sources eleewbere in the market, important clients included the Sultan of Brunei.

He came to the City in 1981. after taking an MBA at Manchester Business School, to join Lazard Brothers, initially as a manager of UK pension been a ctient of Capel ever

### ... but loses top-rated analyst

lost another top-rated analyst as Neil Blackley, whose spe-cialty is the media, leaves to join Goldman Sachs from the beginning of September.
"Goldman may not have the

Meanwhile, James Capel has

same distribution and research capabilities in the UK as Capel, but it has the strength in corporate finance throughout Europe" says Blackley, who will be looking at all of Europe. At Capel, Blackley became well known for his early bearish stance on Maxwell Communications Corporation, so is it not ironic that be should be moving to a firm thet has just been fined £160,000 by the regulatory authorities for its activi-

ties in relation to the late Robert Maxwell? "Capel got offered the MCC brokership twice and turned it down" says Blackley who acknowledges Goldman'e association was a concern ini-

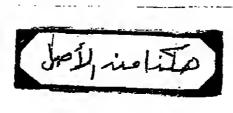
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"But I am now convinced that Goldman is a very ethical firm and that this was an aberration occurring as the company was developing in a new

Blackley, 36, says one of the attractions is the prospect of working, in conjunction with the telecommunications analyst, on a study similar to one already produced for the US on the effects of digital compression on the media and other aligned industries.

"I have had quite a few offers over the years [though not from Goldman] but I had not felt inclined to leave until now" adds Blackley, who bas been at Capel for the last decade.

Having sustained the number one slot for research in the Extel survey for eleven years. Capel has elipped in the last two years and now stands at number three.





# Back to real painting

William Packer admires the work of Michael Leonard

fter the fatuities and empty posturings of the larger portion of the Venice Biennale, it is a relief to return to paint on canvas, properly achieved, and to work that draws directly upon the real and visible world. The apparatchiks and fellow-travellers of the academic avant-garde may find it hard to accept: It may be thet never again will anything but the conceptually kite-marked fauna in formaldehyde (Damien Hirst) or pseudo-profound philosophising (Richard Hamilton) - be allowed to represent us: but true painting goes on, as it always will, honourably,

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It was put to me in Venice thet for an artist thus to consult his own experience was but self-indulgence. With the world falling apart less than a bundred miles away, was it not ever more the artist's duty to engage with the issues of the day - nationalism, capitalism, Aids or whatever, Pity the poor artist who came in from the incorrect side, but even so the idea was all, the means incidental, the technical quality of the statement irrelevant. The essential question was not; what is this work as art? It

was: what is it about? This is the greatest heresy. We no more require in be hectored in our politics or social morality by artists than by actors or singers. In Venice the proof lay all about us, where we could find Tiepolo at his most magisterial while waiting for the boat, and the greatest of Bellini on stepping off. And the point of such art was never the message itself, for the preaching was always to the converted. Rather it lies with what each artist did, technical mastery and the creative, humane imagination resolved into an integral whole. The artist's duty is only to get the work right as he knows it, that we may then test its integrity against our own experience.

Michael Leonard is unlikely

ever to be asked to represent us at Venice, but he is nevertheless one of the most serious and particular painters of the figure that we have. As such he is a member of band as tiny as it is distinguished and as conspicuously oeglected -Euan Uglow and Victor Newsome are others who come to mind, particular differences notwithstanding - whose work owes nothing to expressionism, nothing to immediacy or overt spontaneity of gesture, and everything in the long, unre-mitting study of the life-figure.

Leonard came to painting in his late thirties - he is now 60 after an early career in graphic design. He had com-mand from the start of a meticulons technique, but at first relied over-much on photographic reference for his imagary, with all the perceptual limitations that follow - the camera never lies, and never talls the whole truth. What makes his work so interesting and convincing now is that he has developed from that position without ever denying or

abandoning it. For the photograph has its uses, properly interpreted and understood, and Leonard clearly still makes much use of it. In the organisation of the composition especially, with the interruption of the figure by the frame, and in the close fore-shortening of the space, the influence of the camera is undeniable. In the actual disposition of the figure, too, in poses that if not actually awkward, are certainly unsustaina-ble over an extended period, the photograph again is a necessary aid. And yet how much there is now in evidence that could only have been done before the model. The form is modelled deep into the shadows where only the eye could follow it, and through and

There is nothing self-indulgent picture-plana, flesh and bone in that. surface variation, of inne, colour and texture, that could only have been picked up directly.

His single oude bathers male and female, stoop and twist to dry themselves: the man touches his foot in the classic attitude of the crouching Mercury: the woman in profile reaches up to tie her haadscarf. The echo is of Degas, but while the images as images recall the older artist, the quality of the paint itself is that of the young Degas, the aurface highly finished, looking to Ingres and the romantic afterglow of neo-clas-sicism. It is a potent and particular brew. My only reservation is with the painting of some of the heads of hair, that would seem to have been painted nelther from model nor reference, but made np afterwards, a surprising inconsis-

I end with two last-minute recommendations. The new Giorgio Morandi Museum at Bologna opans in October, which event has been anticipated at the Accademia Italiana, where five choice works from the collection have been on show for some time. This is the final week, next Sunday the final day. Two landscapes, a pot of flowers and two stilllifes cover the career, from the 1930s in the 1950s, of the most refined and exquisite painter of our time, whose "self-indulgence" in the thing seen, form in space established with the utmost simplicity, touches the heart, telling us more of what it is to believe than any

And Dennis Creffield bas returned to painting after his graphic pilgrimage around the great churches of England and France. An extended stay at Petworth saw him installed in the very room and painting from the vary window from which Turner took his own



'Girl in a Turban', 1991, by Michael Leonard

view out across the Park, While paying due respect to the distinguished ghost, Creffield made his own way and found his own Petworth, expressionist and idiosyncratic. The paintings of the South End facade, rising like palazzi on the Grand Canal,

Michael Leonard: paintings & drawings; Thomas Gibson Fine Art, 44 Old Bond Street WI, until July 16. Giorgio Morandi: Five paintings from

are especially impressive,

June 27. Dennis Creffield: paintings of Petworth; Gillian Jason Gallery, 42 Inverness Street NW1, until July 2, then on tour to Petworth, Birmingham, Peterborough, Durham and Brighton: in association with the National Trust's

### Maggio Musicale/William Weaver

# The Magic Flute

ented at the Maggio Musicale in Florence was a new production of The Magic Flute, an event of great artistic merit, the sort of evening that, alooe, justifies the existence of a festival. In the warm, intimate Teatro della Pergola, the brilliantly inventive Julie Taymor designed and prepared a fanciful, but never arbitrary staging that beguiled the eye and won the heart and, at the same time, set the spectator's mind to working. Two qualities especially dis-

tinguished Taymor's achievement: painstaking care (rehearsals must have been many and rigorous) and intelligent coherence. While every stage-picture, every movement was magical, the whole coo-cept followed a palpable inter-nal logic. The airiness of the monsters - the long snake with large paper scales, han-dled by black-garbed assis-tants; the billowing kite in the form of a bear - was enchanted, but they also held a menace that was as real to the audience as it was to Papa-

There was no sign of the Disneyfication of the story, no cuteness; and the initiatory trials were genuinely awesome, just as the trial of Tamino and Pamina by separation and imposed silence was fraught with coovincing pain. The noble sentiments of the libretto were not ignored, but rather underlined by the visual severity of the rituals.

Julie Taymor's long stay in the Orient has enriched her producer's vocabulary immensely, and this Flute had not only Javanese and Chinese ingredients (discreet use of shadow figures), but also alements from Kabuki (Tamino, identifying himself as a prince, stamped his foot in a typical

*mie* gesture) and – in the final encounter between Papageno and Papagena on a raised platform - a reference to Punch and Judy. But all these components were used naturally, as part of a universal and won-drously rich language of thea-

Fortunately, the singers ware not only excellent musicians but also pliable actors, especially Manfred Hemm, a geoial Papageoo, who won laughter and applause without any hamming or any sacrifice of his attractive singing. Deon van der Walt was a sober, impassioned Tamino, and Matthias Hoelle, though the voice was not entirely even, made a noble Sarastro. Sumi Jo was an appropriately exotic, icy Queen ian representative in the cast -Mariella Devia was a Pamina of distinction, perbaps somewhat lacking in tenderness, but musically admirable and also natural in her movements. The three ladies (also Italian), superbly masked and costumed, performed with wit and style. The three boys (soloists from the Toelzer Knabenchor), chalk-white and silver-bearded seemed truly to arrive from another world. The Monostatos of Sergio Bertocchi, shameless in his politically incorrect assertions, added a properly grotesque touch,

After his sorely disappointmg Carmen earlier in the festival, Zubin Mebta drew some good playing from the scaleddown Maggio orchestra, though - as in the Bizet there was little flair or vitality, and at times, notably in Pamioa's music, the conductor seemed in be dragging his feet. But any deficiency on the podium was forgotten in an otherwise thrilling, indeed unforgettable performance of this great, but often elusive

### Concert/David Murray

### A Rite to remember

There are conductors - almost a majority, these days - who act out the music, and others who just conduct it. Pierre Bonlez is one of the latter. A more obvious problem is With the London Symphony at the Barbican on Sunday, his chosen programme would have inspired many another maestro to strenuous histrionics: Schoenberg's expressionist Five Orchestral Pieces, the athletic First Piano Concerto of Bartók, Stravinsky's Rite of Spring. Boulez found it sufficient to give small, precise indications to his superhly rehearsed players; watching him on a silent film, you could hardly bave guessed what kind of music he was conducting, but the audible results were

magnificent. Schoenberg's 1909 pieces were his first atonal foray with orcbestra. Ingenious conductors can dress them in shot-silk bues, to make them more audience-friendly, or administer violent sbocks to keep everybody on their toes. Boulez did neither, but kept their own strange colours dry and lucid: one heard much more of the inner workings than usual, with a great gain in cogency. The effect was to convey an uncommonly wide range of expression, not just expressionism. The original force of the music was recaptured with

With Daniel Barenboim as a

powerful soloist, the Bartók concerto began sternly and roughly. The planist's motor-driven octaves splashed a bit, and he allowed himself so much austaining-pedal as to blot and thicken some passages in the first Allegro where a tight, unambiguous pulse should guide the ear. With the slow movement, however, Barenhoim collected himself for his concentrated best (with some beautiful wind-playing. too), and thereafter the performance was a model of inten-

As for the Rite, Boulez and the splendid LSO gave it a memorable re-creation. Any good account of this work ahould leave a potent impression, but this conductor's grasp of the score is probably unequalled now. Not only did it sound fabulous - and authentic, without extra colouristic tricks or wilful sideslins: it was paced with a sovereign confidence that betokened long, searching attention to Stravinsky's construction, and carried the music inexorably forward to the last cataclysm. The audieoce was wholly gripped: exciting Rites are not so rare, but only once or twice in a decade are we made to hear what a towering master piece it is.

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### Theatre/Malcolm Rutherford

### Groping for Trouts in a Peculiar River

line from Shakespeare's Measure for Measure. It comes just after Mistress Overdone has lamented: "Thus, what with the war, what with the sweat, what with the gallows, and what with the poverty, I am custom-shrunk," the suggestion being thet all is not well in the state of England, as indeed around 1604 it wasn't. There was a war with Spain, a plague in London, executions at Winchester, not to speak of Measure for Measure has plex of Shakespeare's plays

a general economic recession. always seemed the most comand quite different from the rest in that it seeks to pose a ganuine moral dilemma. Should Isabella aleep with Angelo in order to gain a pardon for her brother. Claudio, who is about to executed for adultery? Or should Claudio understand that such an act would be a sacrifice too far for a woman who is about to become a nun, and prepare to

There is also a atrongly political content. The old paternal-

bombarded by a series of missives from the Sturdy Beggars
Company that "groping for trouts in a peculiar river" is a deputy, who in this production looks remarkably like an earnest Tory prime minister out of his depth, is not nearly as

pure as he seems. So it is not surprising that the Sturdy Beggars, a newish company that combines a lot of the 1970s/80s British left. should have gone in for an update. Here is a good half of tha original Measure for Measure. plus modern glosses. For example, Marianna, the girl who happily stands in for Isabella in the dreadful deed, turns out to be the daughter of a press baron, Robert Melville. She has known Angelo at Cambridge and is more than willing to return to him. There are many other references spread ovar history. You will find Mancini, Sergeant Musgrave and Robert

ence all round. Some of it is very well done. I liked the nuns playing scrabble with the letters in what looks like the silver communion cup and taking delicious pleasure from triple word

Browning listed in the pro-

gramme, and a heavy police

had forgotten nntil ist Duke has departed and scores. All the original Shakespeare lines are very well-spo-ken, especially by Richard Attlee as Angelo and Gerard

Even for the most politicallyminded, bowever, translating Measure for Measure into a parabla for the British left raises insuperable questions. In so far as it reaches a conclusion at all, Shakespeare's play seems to say three cheers for paternalism. It is rather like the Labour Party singing Jerusalem", nostalgia for the past rather than belief in the future. Does the new left really regard benevolent despotism as the last best hope?

There is a more practical reservation. Measure for Measure is a complex enough play to start with. It is bard to expect to bring in a new audience by chopping It up. You will have to be quite well read, not only in Shakespeare, to have much of a chance of following it. The very professional direction is by Stephen Jameson who is also responsible for the adaptation. And Groping for Trouts in a Peculiar River is a very good

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# Theatre/Alastair Macaulay

### Backstroke in a Crowded Pool

Bologna; Accademia Italiana,

24 Rntland Gate SW7, until

What happens when folk try being made love to by someone swimming backstroka in a crowded pool? Lynsey and Chrissie, two young female lifeguards standing on the brink, know only too well. They spend their time trying to stop collisions and drownings; and this play plunges headlong into the hectic comedy of pool life, with the two girls keeping up School of Joyce Grenfeli ("Don't do that, George") lines on the scores of people in the water. We soon know which lane is for beginners only, what their colleague Melvin is like, and which chaps these girls find most gorgeous.

It is part of the skill of Jane Coles's new play that we have been busy laughing at all this before we realise that the pool is also a metaphor for our modern society, in which Lynsey and Chrissle have to swin along too. Lynsey has fallen for Hashim Jalib, a handsome young Moslem. No minor crush this: she prays to Allah, reads the Koran, plans to become his worthy wife. And Hashim has eyes only for her. There are advantages to such a liaison; Moslems don't drink, and my favourite line in the play comes wheo Chrissie remarks wistfully "Imagine

racist. Fahmida Jelib, in fact, is the best-realised character in the play, wise, patieot, religlous and droll; and her sequiturs are more disconcertingly funny than most people's nonsequiturs. But Lynsey's mother Carol is a militant animalrights campaigner, opposed to the ritual sacrifices of Islam. When the pool is this crowded with conflicting creeds, who can swim backstroke? (At the pool, the lifeguards keep remarking "The pool's getting too crowded . . . And they're still letting more people in." Very Winston Churchill.)

So much about this play is so acute, and its mix of humour and serious social drama is so deft that I wish its faults were invisible. Sometimes, however, it nervously overdoes comic touches (as at the end of Act One); or overdoes its pool symbolism (in Act Two). The hig Islam-vs-animal-rights dialectic in the Act Two dinner-party comes too pat. And the ending uous about Lynsey and too ickily optimistic about Chrissie.

who's sober."

Coles shows us not only
Hashim and Lynsey, but their
mothers too, neither of them

that John Dove, directing, has
the cast of five speak Coles's
lines all at one speed, with
minimal change of tempo or dynamics. Most of them do nice work in characterising their roles - especially Leena Dhingra as Mrs Jelih, Sophie Stanton as Chrissie, and Raji James as Hashim - but with all of them there are creaky patches when we are reminded that they are reciting lines they have learnt. But, though these real flaws

diminish the play, they by no means wreck it. Coles not only manages to make the different home-lives of Lynsey and Hashim equally real, she also brings off excellent scenes between Lynsey and Mrs Jelib, and between Carol and Chrissie. No one in Britain today could watch Backstroke without feeling its relevanca, or sensing how much it manages to achieve. It is, by the way, the product of an association between the Royal National Theatre Studio and the Bush, and one of the several emotions it prompts is hope.

At the Bush Theatre, W.12, until July 24

# INTERNATIONAL

### ANTWERP

The highlight of this week's drama programme is a visit by Deutsches Theater Berlin with Heiner Müller's Shakespeare adaptation entitled Hamlet Maschine, at Stadsschouwburg tomorrow, Fri and Sat. The music programme includes late evening performances by an Indonesian Gamelan orchestra at the Ethnographic Museum on Fri and Sat (226 9300) FLANDERS OPERA

The final production of the season is Manon Lescaut, the latest in a Puccini series staged by Canadian director Robert Carsen. Evelino Pido conducts a cast led by Miriam Gauci and Fabio Armiliato. Final performances on Thurs, Sun and next Fri (233 6685)

### AMSTERERDAM

Muziektheater Tonight and Thurs: Dutch National Ballet'a Frankenstein programme, choreographies by Balanchine, Wayne Eagling and Laurie Booth, Tomorrow: Simon

Rattle conducts final performance of Peter Sellars' Holland Festival production of Pelléas et Mélisande. with Philip Langridge, Elise Ross and Willard White (625 5455) Concertgebouw Tomorrow: Claus Peter Flor conducts Royal Concertgebouw Orchestra in works by Schumann and Shostakovich. Fri: Simon Rattle conducts Rotterdam Philharmonic Orchestra and Netherlands Opera Chorus in Berlioz's Roméo et Juliette. Sun: Dennis Russell Davies conducts Radio Philharmonic Orchestra in works by Harrison and Gorecki (24-hour information service 675 4411, ticket reservations 671 8345) Beurs van Berlage Fri, Sat, Sun: new work by Anne Teresa de Keersmeeker (627 0466)

**BRUSSELS** Monnaie Tonight, Thurs, Sun and next Tues: Antonio Pappano conducts Kurt Horres' production of Die Meistersinger von Nürnberg. José van Dam and Hartmut Bauer alternate as Hans Sachs. The cast also includes Dala Duesing as Beckmesser and Margaret Jane Wray as Eva (219 6341) Palais des Beaux Arts Tonight and tomorrow: prizewinners of the Queen Elisabeth Violin Competition are soloists with the Liega Philharmonic and Royal Flanders Philharmonic Orchestras (507 8200)

### **BREGENZ**

The summer festival opens on July 21. The outdoor opera production this year is Nabucco staged by David Pountney, designed by Stefanos Lazaridis and conducted

stages Giordano'e Fedora in the Festspielhaus, with a cast led by Mara Zampleri, conducted by Fabio Luisi, Rafael Frühbeck de Burgos, Pinchas Steinberg and Donald Runnicles conduct concerts with the Vienna Symphony Orchestra, and Vladimir Fedossevev conducts the Moscow Radio Symphony Orchestra in the final concert on August 23 (Bregenzer Festspiele. Postfach 311, A-6901 Bregenz, Austria. Tel 5574-492 0223 Fax 5574-492 0228)

by Ulf Schirmer. Jonathan Miller

### ■ CHICAGO RAVINIA FESTIVAL

Tonight'a guest artist is Pat Metheny, followed tomorrow by Michael Feinstein and the festival orchestra, and on Thurs a Shakespeare evening with Claire Bloom. Mariss Jansons conducts the first two concerts by the Chicago Symphony, featuring Alessandra Marc in Strauss's Four Last Songs on Fri and Itzhak Periman in violin concertos by Bruch and Brahms on Sat. James Levine conducts his final concert as festival music director on Sun, with a programme of Stravinsky, Strauss and Beethoven. Beaux Arts Trio are guest artists on Mon. The festival runs till early September. All concerts are broadcast to the lawn for outdoor listening. Lawn admission is always available (Tel 312-728 4642 Fax 708-433 4582)

### **■ FELDKIRCH**

The annual Schubertiade, now permanently transposed from Hohenems to Feldkirch, focuses

this year on Schubert's Goethe settings. This week'a recitalists includa Stefan Vladar, Boja Skovhus, Olaf Bär, Brigitte Fassbaender, Andras Schiff, Thomas Zehetmair, String Quartet, Peter Schreler conducts e concert performance on Sat of Schubert's Incomplete opera Claudine von Villa Bella. The final concert is on July 3 Schubertplatz 1, Postfach 635, A-6803 Feldkirch. Tel 5522-38001/ Fax 5522-38005)

### **■ GENEVA**

 The season at the Grand Theatre ends with performances of Le nozze di Figaro tonight, Fri, next Mon and Wed. Armin Jordan conducts a staging by Nicholas Hytner, with a cast led by Marie McLaughlin, William Shimell and Ferruccio Furlanetto (311 2311) Neeme Järvi conducts the Suisse Romande Orchestra in a series of Stravinsky programmes over the next two weeks at Victoria Hall. Tomorrow's concert includes the First Symphony and Violin Concerto (Lydla Mordkovitch). The remaining concerts are on June 29 and July 2 (311 2511)

### **ROTTERDAM**

De Doelen Tonight; Simon Rattle conducts Rotterdam Philharmonic Orchestra and Netherlands Opera Chorus in Berlioz's Roméo et Juliette (217 1717)

### ■ THE HAGUE

Dr Anton Philipszaal Thurs and

Sat: Samuel Friedmann conducts Hague Philharmonic Orchestra in all-Beethoven programme, with soprano soloist Carole Farley. Fri: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Schumann and Shostakovich (360)

### VIENNA

atsoper Tonight, Fri and next Mon: Turandot with Eva Marton. Tomorrow: John Neumeier's ballet A Midsummer Night's Dream. Thurs and Sun: Lohangrin with Thomas Moser. Sat: Giselle (51444 2955) Musikverein Tonight: King's Singers (505 8190)

### **■** WASHINGTON

KENNEDY CENTER The World Goes Round, an award-winning musical celebrating the careers of composer John Kander and lyricist Fred Ebb, runs daily till Sun at Elsenhower Theater Andrew Lloyd Wabber's musical The Phantom of the Opera, directed by Harold Prince, opens for a three-month run at the Opera House on Sun (202-467 4600) THEATRE

 Sylvia's Real Good Advice: a musical comedy inspired by cartoonist Nicola Hollander's comic strip. Till July 11 (Horizon Theater at the Marvin Center of GWU 202-994 6178)

 Strindberg in Hollywood: Drurv Pifer'a play about the 19th century dramatist in 1993 Hollywood. Till July 18 (Woolly Mammoth Theater 202-393 39391 MUSIC

Blues Alley Jazz Supperclub

Tomorrow: Kim Jordan, piano and vocals (1073 Wisconsin Ave, in the alley, 202-337 4141) Merriweather Post Pavilion Tomorrow: Spin Doctors and Soul Asvium, Sat: 10,000 Maniacs and World Party. Sun: Baltimore Symphony Orchestra. Next Mon: Little Feat. Tues: Steve Miller, July 8: José Carreras (301-982 1800)

### **ZURICH OPERA**

Tonight: Ponnelle production of Die Zauberflöte. Tomorrow, Fri, next Tues: Rafael Frühbeck de Burgos conducts Cesare Lievi's new production of Ariadne auf Naxos, with Gabriela Benackova, Edita Gruberova, Josef Protechka and Hermann Prey. Thurs and Sun: Raff Weikert conducts Bob Wilson's staging of Lohengrin, with Gösta Winbergh, Lucia Popp and Anja Silja. Sat: ballet mixed bill, works by Bienert, Uotinen, Nijinsky and Saint-Léon. July 1, 4: Carmen with Baltsa (Opemhaus 262 0909) JAPAN IN ZURICH Holchi Okamoto and his life-size puppets are in residence this week at Zurich's Puppet Theatre, daily till Sat. Rato Zschupp conducts Camerata Zurich in works by Handel, Takemitsu and Bach on Fri at the Tonhalle, Next Mon: Maurice André is trumpet soloist with Zurich Chamber Orchestra

featuring works by Telemann, Leclair

and Sadao Bekku. Tickets and

further details about the festival

from Billettzentrala am

Werdm0hleplatz (221 2283)

cean Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financia Times Reports 0630 Wednesday Super Chan-nel: Financial Times Times Reports 2130 Thursday Sky News: Financial Times Reports 2030; 0130 Friday Super Channal: European Business Today 0730, 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel: Financial Times Reports Sky News: West of Moscow 1130: 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky Newe: Wast of Moscow 0230; 0530 Sky News: Financiel Times Reports 1330; 2030

ast Europeans no longer have to fear the early morning knock on the door. When tbey hear someone outside these days, it is likely to be an opinion pollster rather than the secret police.

The calls are becoming frequent as local and western academics, and financial institutions such as the World Bank and the International Monetary Fund, send out researchers to check the pulse of societies. applying free-market prescriptions to their formerly state-run economies.

One of the latest polls, carried out by the European Community along with the Gallup organisation, showed that the Albanians are eastern Europe's most "optimistic" people, while the Russians are among the least satisfied with the directioo their country is going in.

Demand for such information has snawned a small but growing industry of private local polling organisations, some operating alone, and others, such as Emor in Estonia, working alongside groups such as Gallup, industry estimates for 1991 suggest that 5 per cent of worldwide polling funds were spent in the former Soviet bloc countries.

Local academic sociologists and psychologists are pitching in too, eager to catch up on years when the communist authorities frowned on a pastime which revealed coinions they preferred not to hear.

There are few governmentfunded research organisations in eastern Europe, along the lines of the many national institutes in the west - the former communist states did not feel the need for such organisa-

Today, the climate has changed. Researchers in eastern Europe say that most people they poll are eager to express a view. "They see it as a way of taking part in politics," says Ms Cynthia Kaplan, a student from the University of California, who is studying political participation rates in Russia and Estonia.

Up to 85 per cent of east Europeans agree to answer questionnaires, according to the pollsters, in contrast with the UK or the US, where people with clipboards are lucky to get a response rate of more than 60 per cent.

But in Russia, at least, there is still mistrust. "There are some problems with senior military men," says Ms Elena Bashkirova, bead of Romir, a Moscow-based private polling company. "Army people in general are wary and do not

# Matters of opinion

Christopher Bobinski on poll-taking in east Europe

like to answer questions." Ms Elena Koneva of Comcon 2, another private company, adds that some peopla "refuse to talk about the consumer-durable goods they have at home in case burglars should hear

Nevertheless, a post-communist enthusiasm for expressing a view means that opinion polling in eastern Europe is producing findings that are mora thorough and accurate than most polling in the west, according to Ms Meril James, Gallup's international co-ordin-

The quality of the research is incredibly high, it's still a

The quality of the research is incredibly high, it's still a prestige business'

prestige business," says Ms mes, who recently addressed e seminar organised by the World Association for Public Opinion Research, held in Tallin, capital of Estonia.

Demanding information about the nation's political views was part of the struggle for his country's independence in the 1980s, says Mr Andrus Saar, an Estonian who owns Saar Poll, e private company. An opinion poll carried out in Estonia in 1984 was kept "under lock and key" for four years, until the Gorbachev era of reform began to ease the atmosphere in the region.

Other experiences of the communist era have helped to create a particular abhorrence among many east Europeans for the manipulation of opinion poll findings by politicians. In Lithuania, for example, Ms Rasa Alisauskiene, from the Baltic Surveys private polling company, recounts with disdain how the governing party banned the publication of poll results 30 days before recent parliamentary elections because the figures looked

Such action is increasingly likely to draw a hostile response, since the opinion polls themselves in several former socialist countries such as Estonia and Poland reveal a feeling among ordinary people that the politicians are failing to act in their inter-

This is not to say that there is any more of a guarantee in eastern Europe than elsewhere that interviewees will always respond truthfully. Just as the polls inaccurately forecast election results in Britain, local exit polls in Lithuania underestimated by 12 percentage points support for the country'a former communist leader, who was returned to power as a Democratic Labour candidate. People were apparently unwilling to admit they were voting for a former communist.

One great advantage for east European polling companies is that they have access to vast amounts of data compiled in the communist era. Throughout eastern Europe, police have detailed reaidence records. Russia and other former Soviet republics also have lists, originally compiled for the issuing of ration cards, as good as any electoral registers in the west.

The data enable east Europeans to get a more accurate cross-section for polling and to interview named people for their research: this method is seen in the industry as potentially more accurate because it virtually rules out falsification of results.

And according to Ms James the cost of carrying out polling is still relatively low in eastern Europe mainly because of much lower wages in the east. Whereas in Britain, estimates suggest it would cost the equivalent of some \$8,000 to have a sample of 1,000 people asked five questions, the Moscow-based companies would charge between \$3,000 and \$4,000 for a 1,500strong sample throughout

It was against this low-cost background that the EC last autumn carried ont perhaps the most ambitious opinion poll ever undertaken in the region. The Eurobarometer poll of 18 former communist countries revealed that, while the Czechs and Slovenes are among the happiest people in eastern Europe, one-third of the region's total population wants to live and work in the



Mr Kennetb Clarka regards tha role of chancellor as above all political. He is right. Power is generated by skilful politicking; without it, the

part played is that of a mere office-holder. We should not therefore, be surprised that Britain's new finance minister spent the first three weeks in his new job setting a tone, establishing a mood, ensuring that the signals he sends out are correct and in time with the electorate's aspirations. Only now, in his fourth week, does he feel that his base is prepared. That achieved, be is ready for the detailed in-house planning sessions that occupy a chancellor's diary.

Downing Street on May 28 he noted with relief that there was no urgent economic crisis to be faced. His experience on Black Wednesday, when for a few hours the technicians ran the country and elected ministers were impotent, was one he regards as the worst of his political life. On the morning after Mr Norman Lamont's downfall, in contrast, the foreign exchange and stock markets were calm. The political marketolace was, however, turbulent. He could not afford to take a month or so off from the airwaves in order to read him-self in, as he had done in several new ministries before. The equilibrium of the government had to be re-established.

The new chancellor decided that his first priority was political. He spent much of his time thinking about three set-piece speeches: one to the parliamentary press gallery, one to wind up the economic debate in the Commons and, finally, his Mansion House address. All were well received. He accepted, and kept, many media engagements. He spread himself, and his message as widely as be could. What be put across was that he was a believer in low inflation but concurrently, a proponent of

This seems impossible, at least to me. No other chancellor has achieved both objectives simultaneously. Going for growth and damn the inflation would win Mr Clarke the Tony Barber award for fiscal irresponsibility. He believes that be understands this, and can avoid it. He will be put to the test next spring. It is then in April 1994, that the changes in value-added and fuel tax provided for in Mr Norman LamJoe Rogaly

# Herculean tasks for new Tory hero

retail price index. For a few months it may be impossible to keep inflation below 4 per cent. What then? To judge by the demeanour he has adopted so far, Mr Clarke might well ask whether the rise in prices was merely a one-off blip caused by the government's own taxatico policy. If so, he would probably esist an increase in the rate of interest, however persuasively When be arrived at No II the new governor of the Bank of England, Mr Eddie George, put his familiar counter-inflationary arguments.

If, however, more insidious inflationary pressures were identified at the same time - if, say, sterling was falling sharply - interest rates might well be increased. Mr Clarke remains, for all his experience of the day Britain was ejected from the European exchange rate mechanism, a believer in managed rates. He has said loudly enough that he knows there can be no rejoining of the ERM in this parliament. He would want a Soros-proof system in place first, but he has never said never. A steep devaluation would be inflationary. No one can predict monetary policy. But what I have outlined is the kind of approach ordinary people expect of a chancellor who has

Going for growth and damn the inflation would win Clarke an award for fiscal irresponsibility

advertised himself as confident, relaxed, a repository of common sense.

In consequence be has become, perhaps for a fleeting moment, the most powerful man in Mr John Major's government, the prime minister included. He is certainly the most self-confident. Where Mr Lamont was subject to the prime minister's authority his successor may, without saying so, assume that he is virtually unsackable: that in any stand-



off, It is not necessarily the first lord of the treasury's view that will prevail. Today, Mr Clarke has the bulk of the party (its Thatcherite wing excluded), the media, and presumably much of the country rooting for him. He would take pains to aver that Mr Major can nevertheless sleep safely in his bed et night. Let us be charitable. Let us believe this. For the media, and the public, will turn against him whatever he says. Anyway, in policy terms Mr Clarke sees himself as a carbon copy of the prime minister, with the latter only marginally less pro-European than he is. He would argue that if Mr Major were to go down, his chancellor would

perforce go down with him. The new Tory hero's second immediate task was to steer the public spending targets announced last Thursday through the cabinet. He regards the commitment to a real growth in expenditure no larger than the growth in the economy as the toughest that political realism will allow; anything more severe might not get through a Commons in which the government's majority is dwindling and the Con-

servatives are divided. To those who complain that the ceilings on the next three years' outgoings are not low enough, he might reasonably respond that what was agreed last week was one contribution to reducing the anticipated 250bn public sector borrowing requirement. It is open to him

He has the bulk of the party, the media, and presumably much of the country rooting for him

to tighten fiscal policy further in November, when the first unified budget is presented. No one has been able to pin him down on whether that means further tax increases or further ending cuts; his instinct is that if the public finances look as dire then as they do now he may have to do both. Mr Clarke draws strength from the fact that most people know in their hearts that this is

Those little matters out of

the way, the new chancellor is embarking on a series of inter-nal meetings on selected top-ics. This week he will review options for increasing the flow of private capital into public projects; next week's subject is small business and what can be done for it. After that they will debate tax policy. No decisions will necessarily be made at any of these educative sessions, unless Mr Clarke is suddealy struck by a blinding truth at any one of them. The chancellor starts with a prejudice in favour of fewer allowances and low rates; perhaps the lightning will strike there.

Ha is not one for economists brought in from outside His predecessor's advisers have gone. Mr Lamont's council of wise men was invented to protect shell-shocked Treasury officials from the full blast of public opprobrium. It will not be disbanded, but I would not place much money on it exert ing a great deal of influence undar the new Treasury regime. Mr Clarke is proposing to consult a few people-b regards as leading industrial ists who understand the economy, Sir Graham Day and Lord (Jeffrey) Sterling among them, but, in the main, he is treaping praise on his demoralised officials and listening to what they have to say.

Before we all groan that this means more of the mistakes that have dogged us for so long, we should clutch at the one straw available. It is that huge self-confidence, the feel. ing inside the new chancellor's soul that he has the ability to nick the best advice and distinguish the officials who give He will be doing that, probably working harder than perhaps ever in his life before, when he returns from the August holidays to prepare the unified

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I recall discussing the use of economists in the Treasury with Mr John Smith when he was shadow chancellor. Mr Smith, like Mr Clarke a lawyer, intimated that economists are two a penny, buyable with pre-knowledge of their opinions. What was needed at the Treasury was political nous, an ability to pick out what would work from what would not. It is that quality that we must tell ourselves is now being deployed on our behalf by Mr Clarke. He is one of the most experienced members of the government, and he is not a fool. He has made a good start. Only a sour old cynic like myself would cast the slightest smidgen of doubt on

# WHERE TO WATCH THE FT THIS WEEK Thorp: doubts about Quality as key to survival Japan's peeds and of Europe's car industry

### MONDAY

07:45 European Business Todayt - Daily news, company results, market moves and boardroom interviews.

12:30 West of Moscow † 22:30 European Business Today†

### TUESDAY

07:45 European Business Today†(22:30) 13:15 West of Moscow\*(18:15) 08:15 FT Reports\* (15:45, 23:45)

### WEDNESDAY

07:45 European Business Today† (22:30)

21:30 Financial Times Reports† London: Star or bit player? Have tales of the death of the City been exaggerated? We examine the evidence.

All times are CET KEY 1Sky News †Super Channel

\* Euronews

### THURSDAY

07:45 European Business Today† (22:30)

08:15 West of Moscow\* (15:45, 23:45)

13:15 FT Reports\* (18.15)

20:00 Financial Times Reports 1 (01:00, 05.15)

### FRIDAY

07:45 European Business Today†

### SATURDAY

05:30 Financial Times Reports 1 08:30 Financial Times Reports †

11:15 West of Moscow 1 Is it Working? In a location report from Moscow we meet some of the players in the new capitalism. (22:15, 02:15, 05:15)

### SUNDAY

13:00 Financial Times Reports 1 (20:00)

19:00 Financial Times Reports † 22:30 West of Moscow †

# FINANCIAL TIMES TELEVISION

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### THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# Japan's needs and the plant's future

From Dr Jinzaburo Tukagi and
Ms Aileen Mioko Smith
Sir, We would like to
respood to the letter of Mr
Kohil Kaneko, general maneger of the nuclear power
department of the Federatioo
of Electric Power Companies of
Jepan, regarding Thorp (June
18). Actions speak louder than

Trom Mr Clive Bates.

Sir, Paradoxically, e letter
from Japanese utilities (June
18) stating their support for
Thorp may be the clearest sign
yet that the plant will never
operate. When Bronwen Maddox wrote of Thorp as a
"Whiteball nightmare"
("Nuclear scheme that became department of the Federation of Electric Power Companies of Jepan, regarding Thorp (June 18). Actions speak louder than words. MOX fuel—e combinations of the federation of th tion of plutonium and uranium fuel - would be the single greatest user in Japan of Thorp plutonium. If Japanese utilities really support reprocessing, why have they not taken any concrete steps to fabricate and burn MOX fuel in their commercial reactors? When the utilities say they support Thorp, what they are wanting

ment, not the product to be supplied by Thorp. It is a travesty to mislead the people of the UK into thinking that Japanese utilities need more plutonium. The reality is that Japan's plutonium utilisation programmes are so far behind schedule that they simply cannot absorb the pluto-nium Thorp will produce, in contrast with other commodicontrast with other commodi-ties, plutonium is a material capable of being made into a weapon and cannot be stock-piled without risk.

Whether the Japanese desire it or not, they will have to reduce supply in order to avoid a surplus. If Japanese demand

is a return on their invest-

a surplus. If Japanese demand for plutonium is low, Thorp

will be a disastrously uneco-nomic plant to operate. What Japan needs to submit, and what the UK Foreign Office and parliament must obtain, are not merely "we fully support Thorp" state-ments from Japan, but con-crete data on the real demand - if any - that Japan will have during this coming decade for Thorp plutonium. This is also undoubtedly a matter in which the European Commission is an interested party. Jinzaburo Takagi,

Citizens Nuclear Information Aileen Micko Smith, Plutonium Action Network,

executive director,

("Nuclear scheme that became a 16-year Whitehall night-mare", May 8) she noted that "fear of incurring penalties would make it hard for the government to raise the wider question of whether abandoning the plant, and releasing all parties from the contracts, could be in the mutual interest of the UK and Thorp's foreign customers". Civil servants had described the situation as a

nuclear "prisoners' dilemma".
Foreign utilities and their
governments also fear penalties and view the prisoners' dilemma from an opposite but symmetrical perspective to tha UK. If they wish to find a way out of reprocessing, their most effective tactics are to force the UK government unilaterally to ebandon Thorp, while they declare their undinching sup-port for the plant. In that way, they may hope to avoid liability and the punitive terms of their contracts with BNFL.

In fact, two recent events support this scenario. The first is that European countries agreed tough new conditions under the Paris Convention for radioactive discharges from Thorp that BNFL will find difficult to meet. Support for this was particularly forthcoming from Thorp's major European customers.

The second is the letter from the Federation of Electric Power Companies of Japan reg-istering full commitment to Thorp and the plutonium fuel cycla. Snch actions and declared support are consistent with Thorp's foreign customers seeking advantage in the endgame for the plant. The UK should act decisively, and devote its efforts to closing the plant on profitable terms rather than continue the futile struggle to keep it going. Clive Bates, Greenpeace, Canonbury Villas,

London N1 2PN

From Mr Gavin Clezy.
Sir, Heaven help the European car industry if Carole Tongue (Letter, June 15) holds any sway within it. Has she not understood that the renais-sance of the British motor industry owes everything to the infusion it has received of Japanese methods and working practices and nothing to do. with the relatively low wages and long working hours in Britain? Is the European par-liament unaware that the sur-vival of the motor industry is precariously dependent npon arbitrary quotas being agreed with the Japanese to keep their imports within reasonable

Long working hours have nothing to do with efficiency and competitiveness in a world market. It is the quality of work which counts and it is in

this respect that Europeans, especially the British, have

still to improve A number of high labour content industries in Italy continue to move their plants to the Ukraine, to Tunisia and even to Albania in order to escape the consequences of unrealistically high social contributions which Italian politicians esponse and Italian man. cians espouse and Italian mannfacturers are having increasing difficulty in living

Is it possible that the European parliament has not heard that BMW has been driven to open a plant in the US?
Gavin Cleay,
chief executive,
British Chamber of Commerce

for Italy, Via Agnello 8, Milan 20121

### Give more than you promise

Sir, The implications of the present downturn for Europe's

carmakers may be even more profound than Kevin Done's excellent review ("Carmakers hit the panic hutton", June 17) suggests. The raunification boom in Germany masked a real decline in comparable car sales in Europe from the high in 1989 of 13.5m units. After 1990 Europe switched from a seller's to a buyer's market for cars - e sea change whose implications Europe's industry has only begun to address.

In a buyer's market, the cus-

in a ouyer's market, the customer has all the answers. All too used to taking the customer for granted, Europe's. carmakers must now make the customer the focus of every operation from research and design through production to

sales and after-sales. Thorough and open-minded appreciation of the customer's needs (not easy in an autocratic industry) discloses the right solution for every problem.

Of all the customer-pleasing

actions that we have identified in our car industry research, one stands out: under-promise and over-deliver. Whether in a sales pitch, a warranty or a repair, giving more than you promise wins long-term friends. Those who adopt that positive philosophy soonest will find themselves the least affected by the next "sickening downward lurch in Europe's Increasingly cyclical car

K E Ludvigsen, Euromotor Reports,

### The right way to learn maths

From Mr TP W Dowlen. Sir, Maths teaching today is more than just adding up numbers. I think someone may have pushed Mr Ripley's prejudice button (Letters, June 17). My wife, who is a maths teacher, observes that over the last 10 years the bishest prior

last 10 years the highest prior-ity has been to teach children to understand bow numbers work. She regrets that there are those, mostly in the private

sector, who still hammer for-mulae into their pupils. In most cases learning by rote of learning "tricks" can still produce the results without understanding and after all, that's the way they were always, TPW Dowlen.

Hollybank House, Hook Heath Avenue, Surrey GU22 OHN

### FINANCIAL TIMES

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Tuesday June 22 1993

# EC plan from Mr Delors

BY HIS discussion of European Community competitiveness at the Copenhagen summit yester-day, Mr Jacques Delors, president of the European Commission, prodded EC leaders to take a few tentative steps on a long journey. Unfortunately, not all of the steps seem to be in the right direction. The difficulties start at the

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beginning, with the excessive emphasis on EC "competitiveness". The idea of a life and death economic struggle with competitors abroad may help politicians overcome entrenched obstacles to needed reforms. But it is a danger ous misrepresentation of reality, since it reinforces the notion that EC'e relations with its trading partners are a zero-sum game. The issue is not "competitiveness", but EC economic performance. The US did not create 29m jobs between 1970 and 1990, compared with only 9m in the EC, because it was more competitive than the EC. It did so hecause its labour markets

worked better. This is only the preamble. At the heart of Mr Delors' plan are eight points: movement towards the single EC currency; comple-tion of the Uruguzy round, along with fairness in world trade; investment in research and development; investment in transport and telecommunications networks: investment in the technological revolution; reform of education systems; improvements to the fiscal basis for economic development; and a different focus to labour market policy.

Some good ideas

The plan is excellent in parts, in its support for vouchers to allow lifelong training, for example, for active labour market policies and, above all, for completing the Uru-guay round. But it is far from ideal. Mr Delors argues, for example, that member states must pull their economies back into line on the road to a single currency. But implementation of the convergence criteria in the Maastricht

posals for EC involvement in the international trading system. Mr he also suggests that a prospective December.

world trade body should take account of currency movements, of capital flows, of the need to share the costs of environmental protection and of support for social progress. Unless carefully handled, such ideas could become

excuses for protectionism. Also disturbing is the crudely quantitative approach to indus-trial policy. Spending on research and development should, says Mr Delors, be increased to 3 per cent of gross netional product from the current 2 per cent; EC transport and telecommunicationa networks, costing Ecu30bn, must be established; and the EC ehould invest in the technological revolution, including a new and expensive information system. How can Mr Delors, or any official, know these are either the right plans or the right numbers?

### Labour market

There are too many such ideas for wish-driven public spending and too little reliance on the market. The latter is truest of attitudes towards employment. There is no mystery why the EC's employment record is so poor. EC member states have robbed participants of incentives. For far too many people it makes little sense even to seek employment. Similarly, there is too little incentive to offer employment. The wedge between what it costs to employ a worker and what the newly employed worker receives is too great. Things will not improve if the character of labour market intervention does not change.

Here Mr Delors puts forward at least one excellent idea, which is to shift taxation away from labour and towards natural resources. But Mr Delors rejects substantial changes in labour protection laws and the design of EC welfare states. He is wrong. Both will have to aller. EC member states must find ways to support personal incomes that do not push so many people out of the labour market.

This agenda is, like the curate's egg, good only in parts. It is good to the extent that the issue of the EC'e economic future is being seriously addressed. It is good too in some of the ideas being Delors ahows courage in his will-ingness to confront France's grow-advanced a convincing plan. His ingness to confront France's grow-ing doubts about liberal trade. But task is to do so, ideally by next

# treaty will fail to provide immediate help to the EC economy. Equally worrying are some pro-

# Slow steps to private coal

THE GOVERNMENT will soon be able to judge how successful its poration by private operators. The first steps to privatise the coal industry have been. British Coal has received about 100 expressions of interest from private sector companies considering a use for four of the 20 mines it no longer wants. Unfortunately, it is likely that few will make firm proposals to reopen them as mines when the deadline for detailed entries ends next month.

Since the government published its coal white paper in March, a response to the outcry which fol-lowed an earlier decision to close three-fifths of British Coal'e capacity, market conditions have deteriorated. Tighter controls on emis-sions from power stations and an improvement in nuclear power efficiency have reinforced the electricity generators' determination to drive a hard bargain on coal

This has spread economic uncertainty across most of the British coal industry, while at the same time reducing the attractions to private operators of discarded British Coal facilities. The four pits which by last week had attracted 100 expressions of interest were Easington, Cotgrave, Sllverbill and Bolsover. Another 16 are being advertised.

The paucity of ministerial action on coal since March suggests the government is indifferent as to whether the pits are taken on by the private sector or not. Ministers may think they cannot lose either way. If some pits are saved, they can argue that the privatisation process has begun. If no pits are taken on by private operators, they can say they were right all along, the market cannot sustain a large coal industry.

Urgent task

This inaction is justified with the explanation that nothing much can be done until privatisation legislation finds a place in the parliamentary timetable, probably in the next 12 months. But there are steps the government could, and should, take now.

The most urgent task is to give clearer signals about the form of the subsidies which the government has already agreed in principle to pay for output from British Coal's 12 reprieved mines and poration by private operators. The private sector cannot be expected to commit itself to deal in uneconomically priced coal on the basis of a vaguely worded promise There is, admittedly, the difficulty that in defining the subsidy beforehand the government will give too much away, either to the producers or generators. But compromise will have to be found if the privatisation procese is to

Competitive process

A second point concerns the procedures for licensing out Brit sh Coal's unwanted pits. In its white paper the government promised to set up an independent coal authority to perform this role, and said the necessary legislation would be included in the privatisation bill. In the meantime, how-ever, this task is being carried out by British Coal itself, and ques-tions are naturally being asked about the corporation's impartiality in deciding whether plts should he handed over to rivals in a fiercely competitive market.

So far British Coal has acted reasonably, but the competitive process has harely begun. The Department of Trade and Industry could instil greater confidence in the emerging coal market hy appointing, on a temporary basis, an assessor who is not an employee of the corporation. The assessor could work at British Coal's offices and with its staff, hut should be answerable directly to the DTI rather than to the cor-

poration board. A third step the government could take would be to push through, before the full privatisation bill, the small but important changes which are needed in the law governing coal operations. For example, private operators may at present have no more than 150 people underground at any one pit. This puts them at an absurd disadvantage. Also, the government already has parliament's approval to lift limits on underground working hours which, by being unduly restrictive, have for years hampered efficiency at British Coal. For the sake of both the private and public sectors in coal, the government needs to move swiftly to introduce these reforms.

he embattled public relations team at Lloyd'a of London jokes that the insurance market has recently become the City's equivalent of the royal family, as staff reflect on the almost feverish media interest in the mis-fortunes of the Names.

The clamour looks set to intensify over the next few weeks after losses of up to £3bn for 1990 are reported today. The third successive year of record losses, to be announced by Mr David Rowland, the market's chairman, at today's annual general meeting at London's Royal Festival Hall, will force many hundreds more Names - the individuals whose personal wealth supports the market - into financial ruin. The scale of the latest losses is

• The 27,770 Names trading in the 1990 year at Lloyd's face losses of between £2.8bn and £3bn, a record in the market's 300-year history. • Average losses per head will be more than £100,000. Cumulative s at the market between 1988 and 1990 will amount to more than £5bn. Under its three-year accounting rules, Lloyd'e expects to report a loss of £1hn for 1991, next June. Already 2,000 Names - of more than 33,000 trading in 1989 – have applied for help from the Lloyd's "hardship" committee, which reschedules the debts of Names and allows them to live in what it describee ae "modest" circumstances. Normally, hardship cases can expect to retain an income of between £10,000 and £15,000 a year and can live in a house which, in London, would be valued at about £150,000.

Mr Christopher Stockwell, wbo chaira the independent Lloyd's Names Associations Working Party, says hetween 5,000 and 10,000 Namea "could be completely ruined". He claims that 17,000 Names have joined the action groups which his association represents, and are either considering or taking legal action to recover their losses. He warns that Names are determined to continue their campaign for compensation, even at the expense of the market's future.

We are not going to lie down and be walked on," says Mr Stockwell. The problems and anger of the loss-making Names are the biggest challenge facing the market, whose fortunes in some other respects are brighter than for some time.

First, during 1992 and 1993, rates

or prices – for the motor, commercial insurance and reinsurance policies sold by Lloyd's have risen sharply, generating huge flows of cash into the so-called "premium trust funds" held by the market to meet claims. These so-called "hard" market conditions mean that most underwriters now believe they are

# Embattled and embittered

Lloyd's annual general meeting today threatens to fuel the anger of hard-hit Names, says Richard Lapper

trading profitably across the board. Second, Lloyd's business plan, devised by Mr Rowland and Mr Peter Middleton, chief executive, and published two months ago, imposes radical reforms on agency businesses and syndicates trading in the market. These underline the shift to a more active management style. Mandatory cost-cutting meaauree should reduce overall expenses by 20 per cent from £885m in 1991 to £665m in 1995.

Third, moves are advanced to bring corporate investors to the market, whose commitments should help shore up the recent erosion of the capital base. Lloyd's expects to publish a rulebcok, outlining the detailed terms on which so-called "incorporated Names" would be allowed to participate. It is hoped thet at least £500m in corporate capital will be raised by next year.

Fourth, the strong cash flow into the premium funds should allow Lloyd's to soften the impact on Names of the 1990 losses, and thus allow as many as possible of the 19.700 Names active this year to continue underwriting next year. New rules will allow Names to borrow from the premium trust funds - which contain about £10bn - to pay part of their 1990 losses. in addition, many syndicate managers are calling for cash from their Names only when claims are paid, rather than when provisions against expected future claims are

inally, Lloyd's emphasises that at least £600m of the 1990 loss has effectively been provided for hy two different parts of the market, and therefore "counted twice". "Double" provisioning arises because some Names contend that the negligence of Lloyd's agents is responsible for their insur-ance losses, and that these should be paid for by other Names on rival syndicates which insure agents against legal liabilities. Until the dispute is resolved, both sets of Names have to set up provisions against the £600m portion of the overall loss.

Despite such positive trends, there are signs that the precarious



finances of some loss-making Names, and the publicity which surrounds them, have undermined the confidence of both policyholders and investors. This is especially so in the US, which generates up to 40 per cent of Lloyd's business and from which the market is hoping to attract new corporate investors. Brokers, who place business in Lloyd's on behalf of commercial insurance buyers, say some of their American customers are beginning to ask detailed questions about the underlying security of Lloyd's poli-

"We are spending an awful lot of time getting the facts straight," says Mr Andrew Pinsent, chairman of the Lloyd's Insurance Brokers Committee. "We are constantly reassuring people that Lloyd's pays valid claims."

There are also concerns in the US that potential investors might be put off by the rising controversy surrounding Lloyd's and the actions of some Names, Earlier this month, Lloyd's moved to tighten its rules for calling extraordinary general meetings (EGMs), after it emerged that some bard-hit Names were aiming to organise a series of protests at such gatherings.

After Mr Richard Astor, a lawyer

whose family has suffered heavy Lloyd's losses, announced an initiative to call an EGM to vote on a motion to liquidate Lloyd's, the market's ruling council moved swiftly to tighten the rules governing EGMs. Mr Rowland explained that Lloyd's efforts to attract fresh capital would be adversely affected

by reports that Names were discussing motions to liquidate the society. "I must do everything I can to maintain confidence." he insisted, after increasing the number of Names' signatures required for

EGMs from 100 to 1,500. However, the rule change came too late to stop another EGM, called by supporters of another disgruntled Name, Mr Claud Gurney, to be held on July 5. It will consider a motion to charge future investors a premium for their participation, to help bail out badly hit Names. Nor will the reform deter Mr Stockwell, who claims that his association could mobilise the 1,500 signatures

necessary for an EGM "overnight".
"We don't believe Lloyd's can have a profitable future if it decides to abandon the hurnt Names." says Mr Gurney. "The goodwill repre-sented by the Lloyd's brand name should be disposed of for the highest possible price."

ctivists are also threatening to intensify their publicity and legal campaign against the Lloyd's establishment. There are several possible legal actions pending against at least two of the market's former chairmen on the grounds of "deliberate non-disclosure and misrepresentation at a

regulatory level".

"They [the chairmen] owed fiduciary duties which they breached." says Mr Astor. Mr Philip Dinkel, a supporter of Mr Gurney, says that defeat of the July 5 EGM motion will lead "to the next layer of litigation. It is the inevitable outcome.

These developments are underscoring the importance of current efforts to achieve a negotiated settlement to compensate loss-making Names. In the autumn Lloyd's hopes to make loss-makers an outof-court offer, financed mainly from errors and omissions insurance funds (which cover agents against negligence claims).

The indications are, bowever, that with limited errors and omissions funds, the proposed settle-ment is unlikely to be generous enough to satisfy the demands of the hardest-hit Names, many of wbom could be bankrupted three or

four times over by their losses. So far Lloyd's bas ruled out proposals to supplement these funds by raising cash externally in the money markets, on the grounds that the cost of such an exercise would depress profitability and dissuade new corporate investors from committing fresh capital. Mr Rowland and Mr Middleton would prefer to defuse the crisis without baving to resort to raising debt. But Mr Stockwell predicts that Lloyd's may be forced to reconsider. He says: "Lloyd's goes into the future with a mortgage or it has no future at all.

# Science policy for the central planner



Mr William Waldegrave, Britain'a minister for science, does not seem to understand why fulfi a market economy is efficient. The centrepiece of his PERSONA Lwhite paper on sci-

VIEW ence, engineering and technology is the adoption of the methods of the central planner to guide the government's expenditure on research in the academic world.

Called "technology foresight", the favoured technique entails setting up panels of experts for each technology sector in the economy. These panels will collect opinions on scientific opportunities and potential market applications from experts in each sector, and then seek to identify the technologies which will be most important to the economy. The criterion of importance will be the match between the strength of the research groups and that of companies able to exploit

their research. The government aims to establish a single consensus view of the academic research that the government

will also increase the quantity of this commercially relevant research. But a market economy is more efficient than a centrally planned economy because there are many sources of decisions, not just one. No fallible human can be right most of the time about such uncertain issues as research that will produce useful results. The more peo-ple take euch decisions independently, the greater chance there is that someone will be right. If individual companies undertake "technology foresight" to guide

their research programmes, they should promote economic growth. But if governments do it, and impose their views on the economy, they will hinder organic growth. Prosperity may also be reduced

by emphasising commercial relevance when selecting academic research for support. Such relevance is appropriate to technology, where academics would naturally have close relations with industry; but it is less likely to be appropriate in the sciences. If most academic research is expected to produce applicable results, less curiosityorientated research will be done.

should finance to help industry; it Curiosity-orientated research pure research - has led to important new industries, such as biotechnology, and often to useful byproducts. Emphasising utility in academic research may reduce the chance of breakthroughs which provide significant industrial benefits. Science policy has long been the last refuge of the enthusiastic planner. The founding father of science policy, JD Bernal, was a Marxist.

> Prosperity may be reduced if inappropriate commercial relevance is emphasised

Many of the people attracted to the subject do not believe in the market, and businessmen and scientists often fail to recognise the conceptual difference between a company and a state.

It is surprising that a government which expouses the advantages of the market economy should share such conceptual confusions, and

untried technique for planning industrialists and academics to confuture expenditure on science. Although the white paper says that "technology foresight" has delivered considerable benefits in other countries, the supporting study shows that these benefits have heen in developing policies and promoting discussion - not in improving the productivity of research. The technique is still at an experimental stage, and has been used on a large scale only in Japan and the Netherlands. The government will therefore be lucky if it gets results by its target date of the autumn of 1994

The idea that forecasts of UK economic developments and industrial strengths can be used in deciding which scientific proposals would be worth developing displays optimism about the forecasts' value and, implicitly, pessimism about industry's ability to adjust to new technologies. It also betrays ignorance of the growing internationalisation of industry, and a simplistic belief in mercantilism. Prosperity will be enhanced if research and production are done where they can be done with the most efficiency. A science policy appropriate to a

sult one another, but would leave them to decide whether they collaborated and what research they should do. Industrialists know best what research would be relevant to industry and are most likely to exploit the results if they bave paid for them. The government would only finance pure research for which no application was foreseen; and provide financial incentives to encourage industry to give money to universities to fund such research. Academic research is more likely to benefit the nation if researchers are free to chose what . they do; so government should promote academic independence.
in determining its policy for sci-

ence, the government would do well to follow the advice that the German government recently received. That is, the main question in choosing the areas of science to support should be: where are the best

**David Sawers** 

that it should rely on a largely market economy might encourage The outhor is an economic consultant

### Seeking a new voice

■ Now that David Cameron, the last of Norman Lamont'e advisers at the Treasury, is heading off to join Michael Howard at the Home Office, the way is clear for the new Chancellor of the Exchequer to beef up his team of outside advisers

at Her Majesty's Treasury. Not that Kenneth Clarke has left himself much room since he has brought Tessa Keswick and David Ruffley with him from the Home Office. However, Clarke has said that he wants to be remembered as the chancellor "who helped British industry and British commerce", and the search is on to find a special adviser who knows the facts of industrial life.

Given the dearth of takeover activity, there are any number of merchant bankers who would dearly love to take time off to bend the Chancellor's ear on the subject and build up their contact books at the same time. The job doesn't pay much but it would look good on the CV.

However, the Chancellor would be much better advised to cast his net wider and bring in someone who has first hand experience of what a rise in interest rates or sterling means to the bottom line. Hiring a souped-up stockbroker, or a City banker, would send the wrong sort of signal. A couple of big names spring

to mind, if the Chancellor wants a wise old hird. Sir Owen Green, the ex-chairman of BTR, has plenty of time on his hands these days, and it would make life a lot easier for the next generation of management at Hanson, if Lord Hanson took on a few outside interests and spent less time in tha office.

Step by step ■ London Underground could do worse than copy the positive thinking displayed in a Hong Kong shopping centre: "This escalator is temporarily a stairway".

Flying tip

Latest addition to the business glossary comes courtesy of Professor Tom Cannon, ex-director of Manchester Business School Addressing a conference of lawyers last week, he defined a business academic as someone who has learnt to turn bullshit into airline

Grave job

■ Searching for business beyond the grave seems s rather desperate measure even for Britain's iob-hungry accountancy firms. But thet is the effect of a dusty clause in the occupational pension schemes (auditors) act which has just landed on top of Observer's

Whenever the last remaining

# **OBSERVER**



stole some money myself

or only appointed auditor meets one of three criteria before completing the annual audit, "the appointing body shall ... reappoint him with his consent ... as soon as reasonably practicable", the law reads. Those three criteria are

removal, resignation, or death. Government officials apparently refused to amend the law even when the need for ouija boards was pointed out. Presumably they do not mind a long wait.

Know your game

Liz Forgan, the new managing director of BBC Radio, seems to be finding her feet at the Beeb.

Having announced that Johnny Beerling, the BBC's longest-serving programme controller, was leaving in the autumn, she shot off to watch the Lords Test match.

The former director of programmes at Channel 4 admits to not liking cricket hut says that everything seems to revolve around the game at the BBC. And anyway she had been offered "Dukie's box" normally reserved for the Corporation's chairman Marmaduke

Indignant

■ As if today's news from Lloyd's of London is not bad enough, an advertisement in a US insurance trade newsletter is touting for membership of Great Britain's "fastest growing society" from overseas names "to whom fortune has been unkind"

Headed "insolvency should never prevent a man from living well". the advert promises "complimentary year-round lodging and board. Full grouse hunting and salmon fishing privileges. All hopefuls should apply to the Royal Society for Indigent Names at Lloyd's of London, c/o Cavendish Manor, Ham Upon Rye, Gloucestershire.

Now you see it

■ Today's sale at Sotheby's of an important work by Claude Monet reminds Observer of a mystery thet gave the impressionist

painter's name new meaning to a young British fine art

His wealthy collector father had given him several canvases including one small Monet he thought insignificant until he moved from his Thames-side home at Henley to a house hy the river Tees near Stockton.

There be saw that while the other pictures looked the same in all weathers, when it was misty the Monet glowed with an incandescence it had never had in Thames-side mists. On dry days, bowever, the glow vanished. So be telephooed his father, saying Monet must have had some special quality that made his paintings react to something in the water of the Tees.

Despite voicing doubts, the father agreed to bring his two other works by the artist for a trial. And although there was no mist and no glow on the day be came, they decided there'd be enough moisture around at sunrise to put the theory about the river's glow-triggering effect to the test.

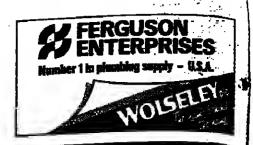
At dawn they took the paintings out in a dinghy, the father holding each of them over the water then closely examining it while the son

"What's the verdict?", he asked anxiously when the last had been inspected and laid down with a

shake of the bead. "It's as I always lold you," the old man replied. "Monet doesn't glow on Tees."

# FINANCIAL TIMES

Tuesday June 22 1993



Voters bewildered by policies of LDP breakaway groups

# Japan MPs launch reform party

By Robert Thomson in Tokyo

JAPANESE voters, baving endured 38 years of one-party rule, are suddenly bewildered by breakaway parties, reform groups which may become parties, and old parties with new policies, all of them claiming to be the flagbearer of reform.

The "Shinto Sakigake" was formed yesterday by 10 MPs from tbe ruling Liberal Democratic party who say they are still fond of the LDP, but would prefer to establish a new party to leave behind the "staleness" of the

Shinto means new party, but sakigake can mean harbinger or forerunner or initiative or pioneer. Japanese journalists translating the name into English have decided to call the party the parties apart is that each is run-

New Party Harbinger (NPH). The NPH is led by a former provincial mayor, Mr Masayoshi Takemura, who defected from the LDP on Friday might, but has suggested that he is prepared to work with the LDP in a coalition

after the July 18 election.

More confusing is that Mr
Takemura says he will work with the Japan New party, established by another former provincial governor, Mr Morihiro Hosokawa, although that party adamantly opposes the LDP.

But the NPH is not prepared to work with a pro-reform party to be formally launched tomorrow by Mr Tsutomu Hata, former finance minister. The NPH apparently thinks Mr Hata's group too

closely resembles the LDP.

The difficulty in telling these

ning on a pro-reform platform and has yet to explain such issues as housing policy, measures to stimulate a flagging economy or how the health system should be improved.

Mr Hata, whose rebel faction brought down the government in a no-confidence motion on Friday, is talking of a coalition with the Social Democratic party, formerly known as the Japan Socialist party, which is still strongly flavoured by Marxist-Leninist

The SDP still supports the totalitarian North Korean regime of Kim Il Sung in preference to the South Korean government, and has changed its name only in English - after much bickering, it remains known as the shakaito

or socialist party in Japanese

minister, yet he is closer to South Korea, supports trade liberalisation and wants a balanced rela-tionship with the US. The SDP remains suspicious of the US.

Mr Kiichi Miyazawa, prime minister, opened the LDP's campaign headquarters yesterday with a speech suggesting he, too, is pro-reform, though he lost the no confidence motion because he agreed to block reform proposals. Mr Toshiki Kaifu, a former prime minister, said he would form a political reform league within the LDP. Mr Kaifu appears to have no intention of leaving the party, and is being pushed to the fore because, unlike many colleagues, he is

imtainted by scandal

# Money supply figures boost hopes of German rate cuts

THE RATE of growth in German money supply slowed in May, encouraging hopes that the Bundesbank may shortly resume its cautious programme of interest rate reductions.

However, expansion in the broad M3 measure, reconfirmed yesterday as the main factor governing the central bank's monetary policy, still exceeded the

Credit growth accelerated again and there was a strong increase in public sector borrowing from banks. These factors belped drive annualised, seasonally adjusted M3 expansion to a provisional rate of 6.7 per cent, down from 7 per cent in April, but above the central bank's target band of 4.5 per cent to 6.5 per

Frankfurt economists expect M3 will soon fall back within the other European interest rates, a further 1/2-point fall in Germany's 7.25 per cent discount rate is widely expected at the central

bank's next meeting on July 1. The scope for fulfilling international requests for more radical action remains constrained, however, by Germany'a mounting public sector deficits and the weakness of the D-Mark.

Public borrowing, including loans to the Treuhand privatisation agency and other state enterprises, is one of the main forces behind recent growth in M3, and has been heavily criticised by senior Bundesbank officials. According to new industrial surveys, private sector capital investment is rapidly drying up as recession takes its toll.

Questioned yesterday on developments affecting the stability of the D-Mark, Mr Johann Wilhelm

the next vice-president of the Bundesbank, insisted that foreign exchange rates did not guide bank policy. M3 remained the

Confidence in the D-Mark, which has lost more than 3 per cent of its trade-weighted value since February, would not be helped if the bank departed from its traditional policies, he

The German currency's decline is being increasingly attributed to the domestic recession, despite the central bank's efforts to bol-ster confidence with less doomladen forecasts than independent

Although husiness confidence is still low, there have been some signs that the economic slump may be approaching its low point. New orders for manufacturing, for example, are falling less rapidly than in the past 18 months, thanks to improved for-

tion government.

officers, a sergeant and a civilian driver who were travelling in an unmarked minibus to general staff headquarters. The second blast severely

injured several pedestrians close to the US embassy and the residence of the French

The explosions were the first in Madrid to a year, and came at a time when Eta activity had been low. Several gunmen have been seized in past months and the organisation's supreme com-mander, arrested in south-west

### thus allow continued gentle easing of monetary policy. In the light of yesterday's news on money supply and further cuts in key indicator.

central bank's target range.

Bundesbank's parameters, and

Japan most

competitive

and buman resources. About a

third of the indicators are

derived from a survey of more

than 2,000 executives.
With all countries affected by

world recession, the report stresses the importance in the

longer term of economic resil-

ience, as reflected in education,

motivation and attitudes. It sin-

gles out Singapore and Denmark as being strong in these areas. It also notes a growing concern

among executives that improved

competitiveness may be resulting in less rather than more employ

ment as enterprises in industria-lised countries seek to cut costs

by job-shedding or relocating pro-

duction in low-wage countries.

Continued from Page 1

# French cut interest rates

move pushed its official interest rates below Germany's for the

alent was at 3.5 per cent.
Some dealers in financial markets expect the Bundesbank to cut its official rates soon. The annualised figure for M3 money supply growth for May, published yesterday, was 6.7 per cent, nar-rowly outside the Bundesbank's target range of 4.5 per cent to 6.5

# below German levels

Continued from Page 1

six weeks. The Bank of France's first time since May 1967, when Germany's discount rate stood at 4.5 per cent and its French equiv-

Yesterday's European rate cuts did not belp to strengthen the D-Mark on the currency markets.

The dollar consolidated last Friday's rally against the D-Mark and closed at DM1.6890, up nearly a pfennig on the day. The French franc shrugged off the rate cut and gained marginally against

the D-Mark, closing at FF73.360. The differential between ten-year government bond yields in Germany and France narrowed to 0.10 percentage points as dealers took the view that inflation prospects in France were rosier

than those in Germany.
"That narrowing in yields is the strongest possible statement of the market's confidence in French fundamentals," said Mr Brian Hilliard of French-owned UK securities house Societé Générale Strauss Turnbull.

### Stampede to reform, Page 4 Seven die as two car **bombs** explode in

Madrid

TWO CAR bombs which killed seven people and injured 25 in central Madrid yesterday bore the hallmarks of the Basque separatist Eta guerrillas, a group widely believed to have been cor-

nered and disarmed. Eta suffered a setback in general elections this month when its political front organisation, Herri Batasuna, lost two of the four seats it had held in parlia-

The group could have been seeking to put pressure on the Basque Nationalist party, PNV - the main political group in the northern Basque region, which is this week considering an invitation by Mr Felipe González, prime minister, to join a coali-

The bombs exploded during the morning rush hour four blocks and 45 minutes apart. The first killed five senior military

France last year, was jailed for 10 years by a Paris court last

The attacks could possibly have been a reprisal against his tail sentence.

### **Europe today**

Low pressure over northaastern Spain thunder storms over southern France, the Central Massif, and the Alps later on. The main front between warm and somewhat cooler air ia atrechting from the Alps to the Ukraine. Some local thunder storms will develop especially over the northern Balkan countries. North of thie front, eurny spells and cloud alternate over the Low Countries, Denmark, and southern Scandinavia. However, Finland and adjacent parts of Russia have some showers. Over tha Britain it will be fairly cloudy, with clear patches over in and parts of Wales.

### **Five-day forecast**

in the next 2-4 days, the main low pressure system is bound to move over the Alps towarda mid-Russia, where it will arrive et the end of the week. Severe thunder ahowers will occur on Wednesday over the Alps, Czechoslovakia, and Poland. Cool air will continue to move into British Isles, tha Low Countries and Scandinavia. South-east Europe will stay warmest at 30-35 C.

# FT WORLD WEATHER



### THE LEX COLUMN

# Roussel's new master

Rhône-Poulenc's plan to offer its 35 per cent stake in Roussel-Uclaf to the market appears to contain something for everyone. The vendor sheds an unwanted minority inherited from the French government and can use the proceeds to reduce debt ahead of its own privatisation. Hoechst, which holds a majority in Roussel, is liberated from the uncomfortable position of having a fierce competitor as a sleeping partner. If the share sale improves liquidity by increasing Rous-sel's free floet, investors also stand to gain - aupposing, of course, that shares are offered at an attractive

If Rhône-Poulenc hopes to raise FFr4.5bn from the sale, an offer price close to Roussel's current share price is likely. Since the shares have risen by 30 per cent this year, the timing looks a shade opportunistic. Although Roussel is not extravagantly valued against the French market, a price-earnings ratio of 17 times this year's forecast earnings is not cheap by international standards. Valuation is not made easier by Hoechst's deci-sion to sell its French drugs business

to Roussel to exchange for shares.

While the French drugs market is growing, this exchange of assets works in Roussel's favour. The promise of cost savings from closer co-operation with the German giant is

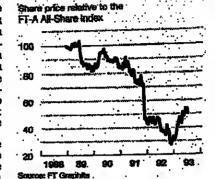
equally tempting.

The arrangement underlines, though, that Hoechst will hold the whip hand from here on. Without Rhône-Poulenc contributing to a balance of power, investors will have to take Hoechst on trust. Even allowing that its intentions are honourable. that fact alone demands something of a discount,

British Steel

The market seems determined to bet on recovery at British Steel. While its losses have virtually tripled over the past year, its share price has risen by more than 60 per cent. Devaluation has improved the outlook. So have the price rises in the UK, which are sticking, and those in Europe, which will only stick if agreement can be reached on cutting capacity. Were that to hap-pen British Steel could be assured of a striking recovery. Without it the prospect is for more expensive joh losses and fresh disappointment on earnings. Even so, British Steel looks strong in comparison to its competitors. Despite both falling demand and weak prices it managed to contain the

FT-SE Index: 2903.4 (+24.0) British Stee



increase to its net debt to £71m last year. The £213m reduction in working capital - which is additional to the effect of de-consolidating the stainless steel activities - will not be repeated. But, unlike most of its European competition, British Steel can afford to cut its capital spending further. Its cash-flow should benefit from higher prices and there may even be a small boost from the sale of Ravenscraig equip-

Despite extensive rationalisation, British Steel thus boasts a stronger balance sheet than many European companies which have yet to begin serious restructuring. That should help if Europe dawdles over capacity cuts, but the uncertainty does not leave the shares looking cheap. British Steel would have to earn nearly 7p this year to put the shares on the market's forward multiple of 14.5. It will be lucky to earn half that, even with an orderly resolution of the European problem.

British Gas The Monopolies and Mergers Commission seems unlikely to produce its report on British Gas until the end of July. That is conveniently after both the BT3 flotation and the departure of MPs for sunnier climes. By then British Gas's management will have spent a full year pleading its case, though it seems unlikely to gain much from the wbole exercise. Of the three principal issues in the

inquiry: industry structure, the domestic monopoly and financial returns for British Gas, the company is at its weakest in trying to maintain its exclusive grip on the domestic market. Other utilities like BT have been forced to accept competitors charve picking their more profitable custom ers, so British Gas may not get much sympathy. Indeed, the company would have appeared more forward-looking had it embraced competition. By contrast. Ofgas has not made a convinc-ing case for British Gas to be split up. However, that will be cold comfor given that the company had hardly

expected to be dismembered. Yet the make or break issue for British Gas will be the rate of return it is allowed to earn on its assets. Plenty of allowed to earn on its assets. Frency of academic fur has flown debating the issue, but figures around 45 per cent for existing assets and 7-8 per cent for new investment look sensible. The RPI-5 cap also seems likely to remain That leaves British Gas close to the status quo, though heavy cost reduc-tions will be needed. After a year failing to get the regulatory mankey of its back, Gas's management must be wondering if it was all worthwhile

### Thorn EMI

Thorn EMI's lighting business has been on the auction block so long that it comes as something of a relief that the hammer has finally fallen. Whether it is worth another 3 per cent on the share price, though, is a most point. The £162m consideration is fair for a capital intensive business with a big exposure to flickering European markets, but it is nothing to get excited about. Thorn should receive some additional gain from retaining 12 per cent stake. Nevertheless, the deal will marginally dilute earnings

The market, though, prefers to focus on the "clean" rentals and music business that is emerging from Thorn's once-sprawling empire. Rental and music will have increased their share of Thorn's operating profits from some 57 per cent four years ago to perhaps 95 per cent this year. The process will effectively he complete once the security and electronics businesses are sold - although this may take some time given their complexity.

Certainly, it is hard to argue there was ever much industrial logic in buodling together light bulbs, sonar systems and CDs. But applying sepa rate ratings to Thorn's music and rental arms gives a total market worth little different from where its stands today. It is not yet clear that Thorn's long march towards demerger will greatly enhance shareholder



FIM 530,000,000 International offering of 8,000,000 shares

Repola Ltd

S.G. Warburg Securities

Kansallis Banking Group Swiss Bank Corporation

Enskilda Securities Skandinaviska Enskilda Limited

By Peter Wise in Lisbon

TAP-AIR PORTUGAL, the state airline, needs a government capital injection of Es80bn-Es100bn (\$501m-\$626m) by the end of the year if it is to survive, Mr Fernando Santos Martins, the company's president, said vesterday.

TAP has an accumulated debt of some Es70bn, with operating losses of Es27.3bn in 1992 and a similar deficit forecast for 1993.

The state plans to sell off up to 49 per cent of the airline later this year. A government spokesman said the state was willing to inject Es100bn, provided that a restructuring plan was implemented before the

was signed between management and unions to ensure

TAP has been disrupted by recent strike sction, and the unions yesterday threatened a series of 24-hour stoppages in July. Workers are fighting for wage increases and against plans to cut the workforce from 10,500 to 9,000 by the end of 1993.

None of TAP's routes is profitable, and it costs the company more than Es15bn annually to lease its 38 aircraft.

The company faced angry demonstrations from workers when it was unable to pay all of April's wages on time and was forced to take out a syndi-

end of the year and that a pact cated bank loan of Es30bn to pay them. There have also been difficulties in meeting payments for aircraft leasing. fual and catering services.

The airline, with annual operating costs of Es150bn, ancelled an order for four Airbus A340 aircraft as it was unable to meet the indemnity payments involved.

In April, Air Atlantis, a charter company in which TAP was the main shareholder, was closed down by TAP because of insupportable losses amounting to Es2.1bn. Two bundred workers lost their jobs and TAP was left with a monthly bill of Es300m for leasing the defunct company's four Boeing

### German unit for building society

By David Waller in Frankfurt and John Gapper in London

BRADFORD & BINGLEY, the seventh-largest British huild-ing society, is seeking to become the first non-German institution to establish a German building society.

The society sald yesterday that it planned to set up a Bausparkasse - the German equivalent - in Hamburg. It would be the first UK society to operate in Germany. although others bave operations in France and

This is a significant development for the German bome loans market, which has hitherto been served almost exclusively by domestic institutions.

with the exception of loans made through the branches of foreign-owned banks.

It is also the latest step towards continental European growth by societies. Halifax. the largest society, disclosed earlier this year that It had applied for a licence to take retail deposits for mortgage lending in Spain.

The German housing finance market is seen as attractive as there is an acute shortage of housing in western and eastern Germany. Homeowners are fewer as a percentage of the population than in other industrialised countries.

Other UK societies are thought to have investigated the possibility of establishing operations in Germany hut

have been put off hy the regulatory requirements.

Mr John Smith, Bradford & Bingley's finance director, said the plan was to set up a Bausparkasse with capital of DM10m (£4m), the legal minimum. The aim was to take deposits as well as make loans within the German market.

Marketing for the subsidiary would be handled by a new company to be founded with German partners. This would sell life insurance policies as well as loans to finance house

Mr Smith declined to give full details of the plans pend-ing approval for the venture from the Bundesamt für das Kreditwesen, Germany's federal banking authority

claimed one critic.

wave of sales of Ferrnzzi group sbares, reversing the partial recoveries of the second half of last week. Sbares in the Ferruzzi

Finanzlaria (Ferfin) holding company dropped 2.65 per cent to L636.2, while shares in Montedison, the main operatlng snbsidiary, dropped 4.79

## move on **Ferruzzi** criticised

THE DECISION by Milan magistrates to open a file on the Ferruzzi débacle yesterday depressed share prices and provoked a hostlle reaction from the Consob companies and stock market watchdog. The magistrates' step means

that any future action hy the committee of five creditor banks working on a rescne plan for the trenbled group will be monitored by a special section of the Milan tribunal. It will concentrate on Ferruzzi's books to check for possible irregularities or infringements of company law.

"The judicial initiatives do not help a solution," said Mr Enzo Berlanda, Consob's chairman. He also warned of the potential damage to Ferruzzi's lmage ahroad.

Howevar, the magistrates' decision was welcomed by Italy's small savers' association. Its chairman, Mr Adamo Gentile, has written to Milan's chief public attorney, Mr Francesco Saverio Borrelli, express-

ing "extreme satisfaction". Many Milan dealers appeared to find Mr Borrelli's claim that the initiative was pnrely a reaction to recent events barely convincing. "At the very least, the magistrates are sending a clear signal to Mediobanca that this time, things can't be done in the old

way," said one. However, enthusiasm for the magistrates' action was not universally shared, with some brokers criticising the move. ostensibly to protect small shareholders, as unnecessary meddling.

"They've already brought down the politicians, now they're looking elsewhere,'

Investors reacted with a new

# Magistrates' Deal that leaves all sides satisfied

Paul Abrahams assesses Rhône-Poulenc's sale of its stake in Roussel

THE SALE of Rhone-Poulenc's 35 per stake in Roussel Uclaf, the French bloscience group, appears to make good sense for all the companies concerned -Rhone-Poulenc, Hoechst, the German company that owns 54.5 per cent of the bioscience group, and Roussel itself. Whether the Roussel shares are good value for investors at their present price is another

matter For Rhone-Poulenc, the deal is a relief. Mr Jean-René Fourtou, chairman, has never made it a secret that he did not want the minority stake that was foisted on his company by the French state in July 1990.

Mr Fourtou is aelling the stake at the earliest possible moment under the terms of the protocols agreed between Rhône-Poulenc and Hoechst in July 1990. He is also taking advantage of Roussel Uclaf's all-time high share price, up 30 per cent since the beginning of the year on expectation of high sales of the group's controver-

sial abortion pill RU-486. Most importantly, the share sala could, at yesterday's share price of FFr575, raise FFr4.5hn (\$797m) and help reduce Rhône-Poulenc's debt moun-

The group's debt is too high, fluctuating at between FFr33bn and FFr35bn, admits Mr Jean-Pierre Tirouflet, finance director. He aims to cut debt by up to FFr7bn by the end of the year through the sale of some

prefered stock in the US, the sale of assets other than Roussel, and through positive cash-

The deal also allows Rhône-Poulenc to dispose of a minority holding which offered it little operational control and which generated only limited synergies.

Hoechst directora could scarcely hide their elation about tha deal's structure, which clears a substantial minority shareholder from Roussel's board and frees the group from direct political intervention from the French government.

Although the company holds majority stake, it felt constrained by political considerations. Rhône-Poulenc is 43.4 per cent owned by the French state. Erap, tha government holding company, also controls 5.5 per cent. Alternatives to the sale

announced yesterday were con-sidered, said Hoechst. Howaver, the company said it had not been interested in a proposed deal with Rhone-Poulenc, swapping some of the Ger-man group's chemical interests for the 35 per cent stake.

An outright purchase would have taken Hoechst's gearing from about 41 per cent to 52 per cent, unacceptably high given chemical companies present poor cash flow, said analysts.

Hoechst directors said the sale could open the way for Roussel to tap the interna-

tional equity markets at a later

Members of Hoechst's board stressed the potential syner-gies. Hoechst is the sixth-largest drugs group in the world with sales last year of about DM11bn (\$6.55bn). That compares with Roussel's pharma-ceuticals sales of FFr14.8bn.

There is little overlap in the companies' drugs portfolios. Hoechst estimates it will eventually be able to reduce costs at Roussel by DM250m a year. There remained considerable opportunity for rationalisation in both production and administration in the long-term, said the German company. There would also be some sharing of clinical trials, said Hoechst directors.

The future of Roussel's agrochemicals business remains in doubt. Hoechst said the operation, which has a turnover of about FFr3.5bn a year, was too small to survive on its own. A decision whether to merge the business with Hoechst's agro-chemicals operations had not been made Whether the deal is good for

prospective investors in Roussel remains unclear. Hoechst has tried to sweeten the pill by changing Roussel's structure.

The German company intends to sell Roussel its French business, Laboratoires Hoechst, which bas a turnover of about FFr1.2bn, it is also selling the French group a 50

per cent stake in Albert Roussel Pharma, a marketing operation in Germany with a turnover last year of about

FF1834m. The businesses are being sold to Roussel for FFri.2bn. according to BZW, the global co-ordinator for the internation private placement. The French company will issue about 2.2m shares at the same time as the share sale, taking the number of shares issued up to about

Mr Tirouflet said the sale of Hoechst's businesses was a guarantee of Roussel's integrity and autonomy, and made the French government view the deal as more acceptable.

Sales growth in the first quarter this year was only 42 per cent, uninspired even by recent pharmaceutical industry standards. The company is promising a 7 per cent increase in sales this year and a 15 per cent rise in net profits before exceptionals to FFr850m.

Roussel is heavily involved in antibiotics, a therapeutic area hit particularly heavily by price competition in the US. Admittedly, net profits last year increased by 72 per cent to FFr1.03bn, after a round of cost-cutting. But much depends on the future success of the abortion pill RU-486.

As Roussel's international road-show starts tomorrow, its executives will have some hard selling to do if they are to counter the market's current dislike of healthcare stocks.

### Offer for Vard reduced to NKr1.1bn

By Karen Fossli in Oslo

VARD, the Norwegian cruise and ferry group, said yesterday that an offer for its ferry business had been lowered by NKr100m to NKrl.lbn (\$155.2m) and that it was seeking to retain a 20 per cent stake in the unit.

The reduction of the offer made three months ago by Uniou Bank of Switzerland, on behalf of Mr Trygve Hegnar, a Vard board member, and a

group of investors - reflected an adjustment for the level of assets, an assessment of the outlook for 1993 and other factors. Vard said.

In Vard's 1992 accounts, the three ferries which make up the fleet of the Scandi and Larvik lines were booked, partly for tax purposes, at a value of NKr455m - a symbolic figure which does not reflect the value of the business as a

going concern Vard is also less optimistic approved by Vard's creditors.

about development of the ferry business. Last year, the addition of a new ferry increased capacity between Norway and Denmark, but volume this year has been below expectations. The group is uncertain about when the disposal can be con-

cluded, it is aiming for mid-

August, although the sale would be retroactive from June i. in addition to approval from the Norwegian authorities, any deal would have to be

### Repola returns to black with FM27m in first term

Stockholm

REPOLA, Finland's largest industrial group, returned to the black in the first four months due to a strong result from its forestry operations.

Profit after financial items amounted to FM27m (\$4.8m), compared with a FM118m loss in the same 1992 period, even though the weaker markka pushed up financing costs by

FM257m to FM853m. Operating profit climbed to FM880m, or 10.2 per cent of net sales of PM8.63bn, from

FM478m, or 5.6 per cent of FM8.46bn in sales in 1992. Nearly all the growth came from the company's forestry unit, United Paper Mills, where

operating profit climbed to FM804m from FM421m and sales increased to FM5.44bn from FM4.56bn. Sales by the group's engineering business fell 22 per

FM3.42bn, although operating profits rose to FM57m from FM48m. The group's third arm - plastic packagings - saw profits

rise to FM6m from FM4m.

cent to FM2.67bn from

### Preussag blames loss on European steel downturn

By Arlane Genillard in Bonn

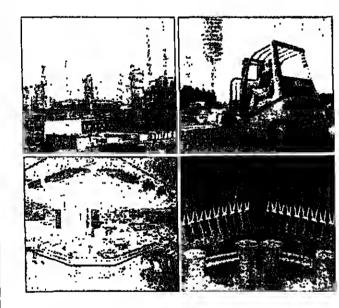
PREUSSAG STAHL, the thirdlargest German steel group, returned a loss of DM96m for the six months to March 31, compared with a profit of DM30m in the corresponding period a year before.

Sales for the six months dropped by 26.6 per cent to DM1.1bn, down from DM1.5bn previously. Preussag Stahl's raw steel production was 1.8m tonnes, down from 2.1m in 1991-92. The company's annual raw steel production last year

Preussag Stahl blamed the downturn in the European steel industry for the loss. "We & have joined the ranks of the other steelmakers, which are all posting large losses," the company said.

Capital Investments continued to rise, totalling DM144ra for six months. A second blast furnace will start operating in 1994, with a raw steel capacity of 2.1m tonnes a year. The new blast furnace will replace four smaller and older ones, allowing significant savings. The restructuring will cost 1,500 jobs over the next three years.

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Although working in a difficult economic setting, we performed successfully in 1992, achieving renewed gains in sales and order intake. By continuously expanding the Linde Group we have significantly strengthened our market position in Western and Eastern Europe. Numerous new companies were acquired, contributing to further complementation of the product ranges in our four fields of activity and reinforcing our corporate structure.

In the current year we are again investing a high volume of capital in securing company growth.

<b>15</b> 90)	
1992	1991
7,534	6,912
7,367	6,606
5,419	5,227
731	711
30,424	28,535
2,945	2,803
	47.4
255	526 252
	1992 7,534 7,367 5,419 731 30,424 2,945 47,4 530



If you would like additional information, please write lo Linde AG, Public Relationa, Abraham-Lincoln-Str. 21, 65169 Wiesbaden, Germany.

Linde in UK, represented by: Lansing Linde Ltd. Basingstoke Linde Cryogenics Ltd.

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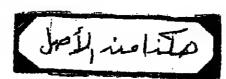
DLJ Merchant Banking Partners, L.P.

and affiliated partnerships

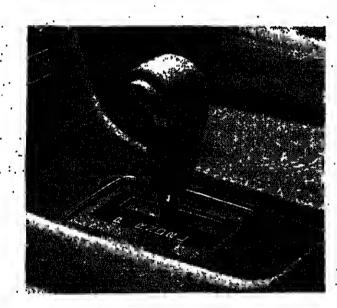
These partnerships are managed by DLJ Merchant Banking, Inc. and were formed to invest in equity and mezzanine securities of leveraged acquisitions and restructurings.

Donaldson, Lufkin & Jenrette

May 1993



# In a Lexus, before the gearbox does anything, it lets the engine know. No wonder everything *goes* so smoothly.



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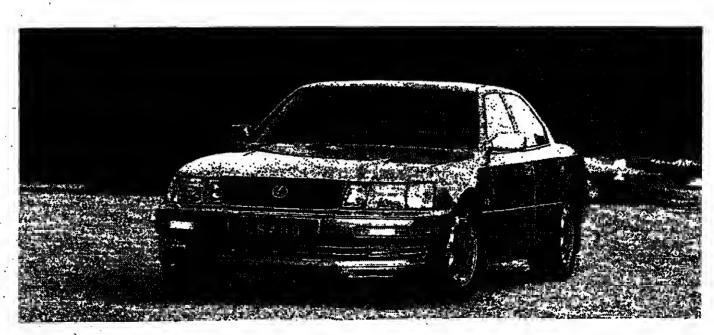
us, L.P.

ette

s you pull away in a Lexus LS400, you'll notice how very smooth your progress is. You'll not notice any of the lurches or hesitations you'd find in other automatics. But how is this achieved? Lexus' designers pioneered ECTi which, in full, means Electronically Controlled Transmission with intelligence. The intelligent part is an advanced computer which informs the Lexus transmission of your speed, when to change gear and how much power to transfer to the road. A split-second before the transmission shifts, the computer sends a message to another processor in the engine. The 4.0 litre V8 then momentarily reduces power output, and as a result, the gear shift is virtually imperceptible.

With smoothness again in mind, Lexus engineers developed a revolutionary drivetrain designed to minimise vibration. It's in one straight line from the engine crankshaft through to the two-piece driveshaft. Now that you're cruising along smoothly, feel how comfortable the seat is. Six independent motors inside the seat mean it can be adjusted to accommodate almost any physique. It can even remember your favourite driving position – and that of your spouse – at the touch of a button.

Now look around you. You'll notice the Californian walnut trim, and the softly illuminated instruments. Next, imagine you're driving past a farm yard. Take a breath. Not a thing, because you specified an odour extractor for the air conditioning. And listen. Peace and tranquillity. Because of Lexus engineers' fanatical resolve to eliminate noise, the LS400 is near-silent. (That is, until you turn on the Lexus' seven-speaker sound system.) Visit your nearest Lexus dealer and experience the LS400. We'd be delighted to let you know about the world's smoothest—and most original—luxury car.



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### INTERNATIONAL COMPANIES AND FINANCE

# Apple faces up to decline in PC profit margins

Michael Spindler. newly-appointed chief executive of Apple Computer, faces the pressing problems of Apple's decline in personal computer profit margins. This may overshadow ambitious plans mapped out by his predecessor to expand into new business segments.

Apple is expected shortly to announce large job cuts following its announcement this month that second half earnings would fall below year-ago levels. Apple officiels declined to comment on reports of

"We want to make Apple a larger part of the information industry," Mr Spindler said. This followed the announcement on Friday that Mr John Sculley, chairman and chief

merly president and chief operating officer at Apple. Mr Sculley will remain chairman

Mr Spindler cautioned, however, that Apple could not afford to ignore problems in its core PC business. Macintosh PCs would remain Apple's largest business for some time, he said. Apple's new business thrusts include "enterprise computing" and e new range of pocket computers.

The company is also preparing for the transformation of its core Macintosh PC products to e new technology platform, based upon the Power PC microprocessor jointly developed with

Although Mr Sculley has been the chief strategist behind these plans, it will fall to Mr Spindler to execute them. "We have turned raw technolo-

products into businesses," Mr Spin-

Apple's entry into the "enterprise computing" field began earlier this year, with the launch of its first "servers" - high power computers for use in corporate networks. Competing in a broad range of manufacturers, Apple has stressed ease-of-use over performance to define its niche.

It is also about to introduce the ong-awaited Newton personal digital assistant, pocket-sized computers that help individuals to organise daily activities and send messages. For the past year, Mr Sculley has eagerly promoted the concept of the new product upon which Apple has placed great emphasis for its growth.

He has positioned Newton technology as a breakthrough in the convergence of computer and telecommunimulti-billion dollar market for such

Mr Spindler's challenge will be to turn Mr Sculley's visions into business reality. The situation is reminiscent of the circumstances that faced Mr Sculley when he joined Apple 10 years ago. Apple was then gearing up for the launch of Macintosh, a radically new type of PC championed by Mr Steve Jobs, Apple co-founder.

In his early days at Apple, Mr Scul-ley, formerly president of Pepsi-Cola, was seen as the hard headed businessman who could bring a measure of

discipline to Apple. Over recent years, however, Mr Sculley has become known as a technology "visionary" while Mr Spindler bas been given increasing responsibility for the day-to-day running of the

As chairman of Apple, Mr Sculley plans to continue looking for new business opportunities. The company, for example, is exploring the potential of interactive television.

Apple has been seeking out partner-ships, but "those kind of alliances take an awful lot of time and they have to be negotiated at a very high level," Mr Sculley says. "It is too much for one person. I'm getting tired of getting up at three or four in the morning and working seven days a

"I proposed to the board that we separate the office of chairman from that of chief executive. The CEO should be the individual who runs the whole company," he said. "The chairman could be the person who makes the high level contacts and works on these emerging opportuni-

The computer company's new chief executive finds no room for complacency, writes Alan Cane

Hewlett-Packard reaps the reward of Risc

leading computer companies, is adjusting to a new chlef executive. But, unlike IBM and Digital Equipment, Mr Lewis Platt, who replaced Mr John Young as head of the California-based company last July, took over a well-tuned machine in no immediate need

of running repairs. Revenues, profits and orders at Hewlett-Packard are buoy ant, in marked contrast with many of its competitors who are struggling with weak sales

and heavy overheads. Mr Platt, aged 51 and with the company for 26 years, sees no cause for complacency: "A company has continually to reinvent itself. The difficult part is making changes while you are doing well. You have got to start before the downhill

trends are obvious." When Mr Young was appointed chief executive in 1978, revenues were \$1.3bn, mostly derived from test and measurement equipment and

hand-held calculators. This year, sales are likely to top \$16bn, placing it among the world's top three information technology suppliers. Its chief strength is now in computers and desk-top printers. It benefited greatly from a relationship with Canon of Jepan in laser printers, but exploited its

EWLETT-Packard, in common with other lead in ink-jet machines.

The computer sector remains a difficult market, however, and investors are nervous.

A report of Mr Platt's remarks to analysts in Frankfurt last week caused havoc when it seemed he was warning of slowing sales and order growth in the second half of the year. The shares fell \$7.50 to \$79.50, and 160 analysts called HP'e headquarters to check the eccuracy of the

In fact, Mr Platt explained, he had made no prediction of sales growth: he had simply warned that growth in new orders was unlikely to reach the 26 per cent seen in the first half. "I do not want to come in with an 18 or 20 per cent order growth rate - which I think would be spectacular in this environment - and have the analysts say: 'Oh God, they're not at 25 any more'." Late last

ek, the shares settled et \$81. HP's trading performance over the past few years has been impressive at a time when IBM, Digital Equipment and the leading Jepanese computer manufacturers have been making losses. Last month, the company reported a net income of \$608m for the first half of the year, compared with \$293m in the same period the



Lewis Platt: hitting the mark with the right products

Mr Platt said order growth had been strong across all product lines and all geographies: "Europe was exceptionally strong, the US was good, the Far East was good and in Japan where we have been struggling, growth was in dou-

is explanation why HP seems to be performing so well while others are in trouble turns on the company's domination of the desk-top printer business - not the sexiest of product lines, but a valuable model for the rest of

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18 June 1993 to 20 September

000,000,0002

\$200,000,000

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"We were lucky to have been euccessful in laser printers, he said. "It is a business characterised by low margins and needs a radically different cost structure. So we started to work on our cost structures some years ago.

"It was logical to assume the same low margins would even-tually be obtained in the rest of the business. Now in personal computers gross margins are probably 20 per cent, compared with the 60 per cent HP had been used to.

We learned the lesson the whole computer business is going thorough and we learned

it just that little bit ahead of everybody else". He also drew ettention to HP's product portfolio, ranging from paimtop personal computers to medical diagnostic

equipment: "We have been good at hitting the mark with the right products." HP, in fact, is harvesting the benefits of a bold decision in the mid-1980s to revamp its entire computer line to take advantage of a powerful but

unfamiliar technology reduced instruction set computing (Risc).
Invented by IBM, Risc computers get their speed and power from a combination of complex software and simple hardware. It was a troubled time for HP: "We were not in

vogue at all then," Mr Platt Today, all the leading computer manufacturers are turning to Risc and to open, or industry standard, systems. HP'a version of Risc, Precision Architecture, is well-established and the basis of its healthy computer business. It is a key to client server com-

HP's move to Risc is an example of the way the com-pany reinvents itself. Another is the rejuvenation of its test and measurement operations. HP started in test and mea-

puting, a significant trend

surement: the division is 53 years old. Three years ago, however, profits elipped as spending in aerospace and defence declined and custom-ers turned to computer workstations rather than dedicated

re-engineering team moved in to spruce up The products and restructure the division. One decision was to develop equip-ment for the fast-growing telecommunications industry: "We jumped in with both feet," Mr Platt says. "That sector of the business grew 30 per cent last

He has three objectives for 1998 and beyond. The first is aggressive restructuring to improve profitability. The second he describes as "order fulfilment" by which he means tackling customer dissatisfaction - the company has the reputation, for example, of ing difficult to deal with.

The third is to reinforce HP's culture with its emphasis on enlightened management. When will he initiate HP's next round of re-invention? What we are doing today is going to work for several more years," he says. "Open systems, the Unix operating system, client-server comput-

ing - we are in the early days

# US court upholds cigarette decision

By Nikid Telt in New York

THE Supreme Court, the highest judicial authority in the US, has affirmed a lower court decision which threw out \$148.8m jury award against Brown & Williamson, the USbased eigarette manufacturer and a subsidiary of Britain's BAT Industries.

The decision came after almost a decade of legal wran-

The case against B&W was brought by Liggett Group, a rival US tobacco company and now called Brooke Group, and

centred on anti-trust issues. Brooke claimed that B&W has used "predatory" pricing to limit Brooke's ability to com-pete in the burgeoning market for low-priced "generic" ciga-

Brooke had introduced some ultra-cheap cigarettes, sold in Brooke in 1984.

ing, and was successfully wooing smokers from other

B&W retaliated with its own generic brand, and offered wholesalers bigger volume-based rebates than its smaller

competitor. Brooke sued, and in 1990 a jury in North Carolina awarded Brooke just under \$50m. Damages, in US anti-trust cases, are eutomatically tripled. However, a federal appeal court in Richmond, Virginia, sided with B&W, and the Supreme Court, by a six tothree vote, has affirmed that

ruling. B&W said yesterday it was 'very pleased" with the Supreme Court ruling, and was "delighted to finally have this lengthy case concluded". The suit was first filed by Liggett/

### Sara Lee buys stake in Italian knitwear company

SARA LEE, the Chicago-based consumer products company, is buying a majority interest in Maglifio Bellia, an Italian knitwear company, for an undisclosed sum. The company's annual sales last year were ebout

Bellia's principal brand name is Liabel, and it employs

around 800 people at three plants in the Piedmonte region. Sara Lee, although probably best known for its cakes and bakery products, has a large hosiery and knitwear products

Its sells under the Hanes brand name in the US, for example, the Dim's name in France, and has been expanding its presence in soutbern

### COMPANY NEWS IN BRIEF

• PRINCE Alwaleed Bin Talal of Saudi Arabia sold 3.45m chares of Citicorp, the US banking group, on June 18 for \$95.5m, or \$27.625 a share, AP-DJ reports from Washing-

In a filing with the Securlties and Exchange Commis-sion, he said the Citicorp shares were sold in a block

The prince still holds a 9.99 per cent stake with outright ownership of 4.24m common shares and beneficial ownership of 36.87m upon conversion of preferred stock he holds.

With the preferred stock conversion, the he holds 41.11m

common shares of Citicorp

 BRITISH AIRWAYS yesterday announced it was to issue a Visa credit card for its US customers in partnership with 18 Chase Manhattan Bank, writes

The card is to be marketed to Chase customers and members of BA's Executive Club US

The card, which will not be available in the UK, will offer bonuses in the form of credits for flights.

Customers will be able to redeem air miles on BA, USAir, American Airlines and Alaska

### Banco Central de Venezuela £21,174,000 Floating Rate Bonds due 2005 STG New Money Series B-NP Banco Central de Venezuela £21,174,000 Floating Rate Bonds due 2005 STG New Money Series B-P Period from June 18, 1993 to December 20, 1993 the Bonds will out of 65/% per annum. The Interest payable on the relevant inter December 20, 1993 will be \$17.68 per \$500 principal amount. By: The Chase Manhatten Blank, N.A. Agent Bank June 22, 1993 The Republic of Venezuela £28,232,000 Floating Rate Bonds due 2005 STG New Money Series A in accordance with the provisions of the Bonds, notice is hereby given that for the interest Period from June 18, 1993 to December 20, 1993 the Bonds will carry an interest Ris of 7% per annum. The interest payable on the retevent interest payment dol December 20, 1984 we be 177.15 per 1200, product the carry.

By: The Chase Manhettan Bunk, N.A. Agent Bank The Republic of Venezuela £119,402,500

eting Rate Bonds due 2007 STG Debt Conversion Series to accordance with the provisions of the Boxids, notice to hereby given that for the Interest Period from June 18, 1993 to December 20, 1903 the Bonds will carry an Interest Rate of 6'4% per annum. The Interest psychole on the relevant Interest payment date, December 20, 1983 will be 177.08 per 1500 principal amount.

At the close of the Annual Meeting of Stockholders on 17 June 1993, the Board of Directors unanimously elected Jean-François THEODORE Chairman of

On Mr. THEODORE's recommendation, the Board of

Directors named André SERRE Honorary Chairman

as a tribute to his personal work and in recognition of

his distinguished service to the Paris financial

Alain MONOD-BROCA was reconfirmed as General

As planned, Mr. THEODORE will be Chairman of

both SICOVAM and Société des Bourses Françaises

This appointment will serve to enhance the long-

standing cooperation between the two financial market organizations, a recent example of which is

the Relit project, on which each company respected

the other's roles and reeponsibilities. This alliance will promote the growth of the Paris financial market

and encourage the spread of its influence worldwide.

Manager, a position he has held eince 1991.

in a joint capacity.



NBD BANCORP, INC US\$100,000,000 Floating rate subordineted notes due 2005

Notice is hereby given that for the interest period 22 June 1993 to 22 September 1993 the interest rate has been fixed at 5.25%. Interest payable on 22 September 1993 Il amount to US\$134.17 per US\$10,000 note.

**JPMorgan** 



Floating Rate Notes due 1997 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 17th September, 1993 has been fixed at 6.0625% per annum. The interest accruing for such three month accruing for such tince months period will be £152.81 per £10,000 Bearer Note, and £1,528.08 per £100,000 Bearer Note, on 17th September, 1993 against presentation of Coupon No. 4.

Union Beak of Switzerland London Branch Agent Bank 17th June, 1993

> Minebea Co., Ltd. Yen 23,000,000,000 Floating Rate Notes 1995

5% per ennum From 21st June, 1925 To 21st December, 1995

21st December, 1963 per Yen 10,000,000 Yen 250,855 The Sumitomo Trust & Banking Co., Ltd.

Agent Bank SOLVAY S.A. Subject to approval at the General Meeting of 7th June, 1993 Solvay S.A. will pay a dividend (for 1992) of BF 500 act per stare. BF 100 act baving already been paid on

t9th January, 1993. It will be the balance of BF 400 which will be paid on 22nd June, 1993. For bearer shares held in Relgium, payment will be made against coupen No. 51 at Generale de Benque S.A. Banque Bruxelles Lambert S.A.

Agent Morgan Guaranty Trust Company For resistered shares. The dividesd will

be paid to holders on the register as at 10th June, 1993. Details of payment are sent directly to registered sha

MICROTEK INTERNATIONAL INC.

to the holders of the outstanding

Microtek International Inc.

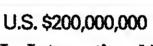
(the "Company") US\$29,000,000 3.5 per cent, Bonds due 2001 (the "Bonds")

3.5 per ceut. Bonds due 2001 (the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Board of Directors of the Company by a resolution dated June 16, 1993, authorized the issue of 15,695,980 shares of the Company's Common Stock for free distribution to shareholders as a dividend, and employees as a bonus. The Board of Directors has fixed July 5, 1993 as the record date for the determination of the shareholders and employees entitled to receive such dividend and free distribution. Pursuant to the provisions of the Indenture constituting the Bonds, the Conversion Price of the Bonds has been adjusted as a result of the above issue from NT\$94 to NT\$76, effective July 5, 1993 (Republic of China time). June 22, 1993

Microtek International Inc.

The Chart Seminar Presented by David Fuller + 25th year Copenhagen 1 & 2 July tuxembourg 2 & 3 September Call Jane Fargettaison Tel: 071-439 4961 7 & 8 October



B.B.L. International N.V.

Floating Rate Notes Due 2001 Guaranteed on a Subordinated Basis as to payment of principal and interest by

Banque Bruxelles Lambert S.A./ Bank Brussel Lambert N.V.

3.4875% per ennum

22nd June 1993 Interest Period

Interest Amount due 22nd December 1993 per U.S. \$ 10,000 Note U.S. \$ 117.28 per U.S. \$250,000 Note U.S. \$4,432.03

Credit Suisse First Boston Limited

### parmalat finanziaria

Registered Office in Affian - 15, Corso Italia Share Capital Lit. 712,347,170,000 Registered at the Tribunal of Milan nº 312037/7822/37

IN SECOND CALL This is to inform the Shareholders that, since the number of shares necessary for the Shareholders Meeting in first call on June 29, 1993 to proceed is not guaranteed, the Extraordinary

SHAREHOLDERS MEETING

Meeting in second call will take place on June 30, 1993 at 11 a.m. in Milan, Via Pantano 9, at the Assolombarda headquarters as already indicated on the notice conventing the Shareholders Meeting published in the "Official Gazette no. 127 on June 2, 1993 (announcement 5/9433). PARMALAT FINANZIARIA SPE

(Incorporated such limited liability in the Cayman Islands) 3 U.S. \$50,000,000 Secured Floating Rate Notes due 1993-1996

For the Interest Period 22nd June, 1993 to 22nd September, 1993 the Notes will carry an num with Interest Amounts of U.S. \$992.27 and U.S. \$2,480.69 for Notes with original principal amounts of U.S. \$100,000 and U.S. \$250,000 respectively payable on 22rd September, 1993.

Securities Limited

¥50,000,000,000

Province de Québec Floating Rate Notes Due 1999 Notice le hereby given that for the interest Period from June 22, 1993 to September 22, 1993 the Notice will cerry an interest rate of 3.45%. The interest psychole on the relevant interest psymbol date, Soptember 22, 1993 will be 14,406,333 per MS00,000,000 nominal amount.

By: The Chess Maniatize Rank, N.A. Leaden, Agent Beak June 22, 1993



# Synthélabo

The Ordinary and Extraordinary General Meeting, chaired by Mr Hervé Guério, Chairman and Chief Executive, took place on Wednesday 16 June, 1993.

The shareholders approved the 1992 figancial statements. Consolidated sales amounted to 6.3 billion French francs, an 8% se over last year on a comparable basis, i.e. after adjusting fo currency fluctuations and changes in Group structure.

Consolidated net profit, excluding capital gains and losses net of lax, increased from 206 million French francs to 473 million French francs lo 1992. The Group share in this profit amounted to 456 million French francs compared with 184 million French francs. Net curnings per share amounted to 47.2 French francs, compared with 40.5 French francs, a 16.5% increase.

The shareholders decided to pay a dividend of 14.50 French francs per share (compared with 13 French francs in 1991) corresponding to a total income of 21.75 French francs, taking into account the related tax

credit. The dividend will be paid from June 25, 1993. The shareholders also decided on a five-for-one share split.

The growth in sales of new products, the Group's reinforced presence in Great Britain, and the consolidation of Laboratories Pharmaceutiques Goupil and the Belgian company, Couvreur Pharma, both active in the OTC market, should enable Synthelabo to achieve nover exceeding 7 billion French france in 1993.

Synthélabo's annual report can be obtained from "Direction de l'information financière et des relations avec les investisseurs" . B.P. 72 - 22 avenue Galilée, 92352 Le Plessis Robinson Cedex, France.

> NOTICE OF PAYMENT to Holders of OLYMPIA & YORK EUROCREDITCO LIMITED 112/2% Debentures Due November 2, 1992

each Cdn.\$1,000 principal amount of Olympia & York Eurocredico Limited | 11/28 Debentures due November 2,1992 (the "Debentures") will be available to holders from The Royal Trust Company, trustee under the Trust Deed dated as of October 29, 1987 pursuant to which the Debertures were issued. Holders may obtain partial payment on this date by presenting the original Debenture certificate to any of the following paying agents: Bank of Montreal London Office

NOTICE is hereby given that on June 30, 1993 a partial payment of Cdn.5401.84 for

11 Wallbrook, 2nd Floor, London EC4N SED 14 Boulevard E D. Roosevelt

Credit Suisse 8 Paradeniatz Kredietbank N.V. 7 Rue d'Arenberr

Pank of Mootres!

Toronto, Ontario

First Canadian Place

Main Office

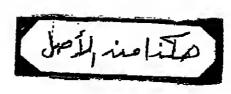
Dehentures presented for payment will be marked to show the partial payment and returned to the holder. No interest or other income on or in respect of the payment amount will accrue to holders presenting Debentures after June 30, 1993. Persons having an interest in Dehentures maintained in the fairo-clear or Cedel

clearing systems need not present such Debentures for payment, as arrangements have been made for the payments in respect of such Debentures held as of June 25, 1993 to be made through the clearing systems. Any inquiries concerning the payments may be directed to the principal paying agent, Bank of Montreal, London Office, Attention: Manager, Fiscal Agencies, (relephone

DATED this 22nd day of June, 1993.

THE ROYAL TRUST COMPANY

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raise up to Sch5bn. An agreement in principle between Al and Siemens, headed by chief executive Mr Heinrich von Pierer (pictured). could be ready in the early autumn. Through its subsidiary Siemens Austria, the German group has traditionally held close links with Austria'a state-owned sector. Al holds a 26 per cent stake in Siemens

Last year, Siemens acquired 26 per cent of SGP-Verkehrstechnik, Al's rail systems unit, and the concern said it wanted to raise its stake to 50 per cent or more as part of its overall

### Liquidation agreed for Danish group

A CONTROLLED liquidation of Commercial Holding, a leasing and property investment group, has been agreed by Danish banks, but their British counterparts have still to approve the plan, writes Hilary Barnes in Copenhagen. Share quotations for the group's four companies, Com-

THE BUSINESS

SECTION

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groups consider tie-up By Emiko Terazono in Tokyo sumi, who regularly features in lists of the world's richest men, heads Seibu Railway Group, THE SAISON Group and the Selbu Railway Group, two of Japan's largest conglomerates, the rallways and lcisure

are considering a business tie-up ranging from satellite television to credit cards.

The negotiations also come as Saison's flagsbip company

the range items.

The retailer recently started

a restructuring programme, including the demotion of all

board members. Seibu Depart-ment, which is not stock mar-

ket listed, is understood to

have posted a pre-tax loss for

NOKIA, the Finnish

electronics and telecommuni-

cations group, recovered to a pre-tax profit of FM154m (\$28.5m) in the first four

months from a loss of FM280m

at the same stage last year, following rapid sales growth in

telecommunications and

A near 80 per cent rise in

telecommunications sales to

FM125bn and a 109 per cent

increase in mobile phone sales

to FM184bn pushed group sales

Europe and eastern Asia accounted for much of the

growth with new orders during

SIEMENS, the German

electronics and electrical

group, is in talks with the Aus-

trian government to acquire up

to 15 per cent of Austrian Industries (AI), the state-owned

metals and mechanical com-

pany, writes Bric Frey In

The transaction, which

would be worth as much as Sch3hn (\$256m), would give Al

and belp cover its losses from

its troubled aluminium subsid-iary, AMAG, which last year ran up losses of Sch9bn.

Al is not stock market listed,

but analysts put its value at

Sch15bn to Sch20bn. This

excludes AMAG, which is to be

spun off from the main group

to make the remaining steel

and engineering activitles more attractive for investors.

Beside Siemens, Bank Aus-

tria and the insurance group

Wiener Staedtische are inter-

ested in taking small stakes in

Al. By selling 25 per cent of its equity capital, Al is hoping to

to FM7.09bn from FM4.86bn.

the year to last February.

By Hugh Carnegy in Stockholm

mobile telephones.

Two leading Japanese

The business tie-up is seen as a reconciliation between the two men, who for years have been portrayed in the Japanese Selbu Department Stores is hit by the sharp fall in consumer confidence, especially in top-ofpress as bitter rivals.

INTERNATIONAL COMPANIES AND FINANCE

The two groups are looking to establish a new satellite television channel, using a new BS-4 satellite, where Seibu Railway, which holds a pro-baseball team, will supply sports software, while Saison will provide entertainment and arts information.

Seibu Railway and Saison are looking to combine each others' credit card business. Saison is led by Mr Seiji
Tsutsumi, while bls halfbrother, Mr Yoshiaki TsutSaison's credit card currently
has some 10m bolders, while
Seibu Railway has a credit

the period, including cable TV

transmission systems in

Britain and China, a digital cel-

lular telephone network to

Germany, and strong demand for mobile bandsets in Ger-

There was also strong sales

growth - 51 per cent - in con-

sumer electronics, which showed turnover of FM2.38bn

due to increased sales of com-

But home electronics contin-

ued to suffer frum weak demand and low prices, produ-

cing what Nokia called a heavy

loss for the coosumer electron-

ics division. The cables and

machinery business was also

hit by continued recession in

Finland and the slow pace of

COMPANY NEWS DIGEST

Heinrich von Pierer: early

autumn agreement expected

mercial Holding, Commercial

Leasing, Ballin & Herz and Brandt's Klaedefabrik, bave

been suspended in Copenhagen since the end of April.

was a negative DKr617m

(\$96m) at the end of 1992,

according to a stock exchange statement, compared with a

positive DKr452m at the start

Danish creditors have agreed to convert DKr700m of their

claims to equity capital to allow assets to be sold over a

But the group has lost about

DKr600m through leasing

operations in the UK and Brit-

ish bank creditors have still to

approve the liquidation plan,

HONGKONG and Shanghal

Banking Corporation has opened its fifth branch in China in a further sign of for-

elgn banks extending their

presence on the mainland to

**HSBC** opens fifth

of last year.

period of two years.

the statement said.

China branch

The group's equity capital

Nokia returns to the black

many and Britain.

puter monitors.

The groups may consider integrating their hotel businesses. The Selbu Railway Group owns Japan's largest botcl network, while Saison bought a stake in loter-ontinental Hotela in

 Seibu Department Stores plans to reorganise operations. The move highlights the severe problems Japanese retailers are facing as the current economic downturn is affecting consumer spending.

Scihu, the core operation of the Saison group, which includes Seiyu, the supermarket chain, currently has debts of around Y320bn (\$2.93bn). It said it was considering postponing future opeoings of new outlets and reorganising

economic development in cen-

tral Europe. Sales in this divi-

sion fell slightly to FM1.36bn.

slowdown in Europe. But be

said internal cost reductions

were not compensating for the

slump in consumer electronics.

Nevertheless, be expected a better full-year return than last year's pre-tax FM158m loss.

We are very confident the result with be a significant

is very difficult to be more spe-

in the north-eastern port city.

The People Bank of China,

the country's central bank, has

also approved applications by Crédit Lyonnais and Société General to establish branches

in Tianjin. China's strategy is

to open coastal trading cities to

foreign banks as a first step towards allowing greater for-eign involvement in its bank-

Forex savings rise

at Bank of China

exchange savings in the Bank of China reached \$7.4bn at the

end of May, \$1.1bn more than

at the beginning of this year. A

bank official said that savings

increased by a monthly average of \$262m, compared with

\$138m last year, writes Tony

Many Chinese have rushed to convert their yuan savings

into dollars because of the

rapid depreciation of the local

currency. The yuan has slid by

INDIVIDUALS'

Walker.

ties (in the marketl"

Royal Jordanian has borrowlngs estimated at hetween \$250m and \$300m, and although the airline is making steady profits at the operating level, they come down with a bump once borrowings costs are taken into account.

Mr Jorma Ollila, chief executive, said technological 1992 totalled \$54.3m whereas changes, coupled with strong Interest payments were rundemand, should sustain sales ning at around \$40m. Last year, Mr Mahmoud growth in telecommunications through the present economic

Balgez, Royal Jordanian's chief executive, told a conference of regional directors: "One of the reasons for privatisation is the generation of enough cash and working capital vis a vis the presently acute undercapitalisation while we debate bow best to meet our past obligations and re-start with a fairly clean slate."

cific in view of the uncertainwiped clean is not clear. The ball is very much in the gov-ernment's court. Treasury officials say that more than 60 per cent of the airline's borrowings are included in Jordan's \$6.5bn Siemens in Austrian stake talks of foreign debt which is tightly managed under the watchful eye of the International Monetary Fund. Paris are among foreign banks

Vienna and Maastricht.

of 20 per cent.

ccording to members of the committee, the sell-off will occur in two stages. First, the airline will be registered, probably this year, as a governmentowned company rather than a

corporation.
Under its new guise, and in collaboration with the appointed consultancy, it will undergo a major restructuring. This will include increasing capital (presently \$32m),

rescheduling debts, and exam-ining the profitability of fleet structure and routes. Government shares will then be sold to private investors that may include other airlines. "We will be very responsive to know-bow and experience, not necessarily capital," says o former minister of transport who has been closely associated with the privatisa-

With the tourist traffic recovering, the number of passengers carried rose by 40 per cent to 1.1m ln 1992. Cargo operations carried 44.5m tonnes of freight compared with 41.6m tonnes in 1991 but remain well below capacity.

tion debate.

### **Politics** ground Jordanian airline sell-off

By James Whittington

ORDAN'S economy is growing rapidly and the private sector is buoyant. But plans to privatise Royal Jordanian, the state-owned airline, have made little beadway since the idea was first aired by the government five years

The sale of the alrline remains a difficult political pill for the government to swallow. The main problem lies with transforming it from an over-staffed and deht-laden operation into a business with clear investment appeal.

According to preliminary figures, operational profits for

improvement this year - hut it Exactly how the slate will be

Observers blame the airline's stretched balance sheet on over-expansion during the 1980s and the cost of the Gulf war, notably soaring insurance premiums and the need to relocate large parts of its fleet to

Another obstacle to be circumnavigated is the political sensitivity aroused by the prospects of mass redundancies as payroll of 4,700, Royal Jordanian is an important employer. Unemployment in the kingdom is presently running in excess

A government privatisation committee is currently working to develop a preliminary strategy for the flotation. It will shortly pick international consultancy to oversee the privatisation process. The short-list includes Arthur Andersen, Coopers & Lybrand, Ernest & Young, KPMG, Price Waterbouse and Deloitte Touche

### more than 40 per ceut against the dollar in the past year. S&P downgrades Handelsbanken

foreign

SVENSKA Handelsbanken yesterday suffered a cut in Its credit rating by Standard & Poor's despite being the only Swedish bank to have weathered the country's severe banking crists without so far baving to opply for state support, writes Hugh Carnegy. S&P said it was downgrading

Handelsbanken's \$4bn of long-term debt from A+ to A and its subordinated debt from A to A because of "persistent recession in Sweden and its impact on the strength of its balance sheet".

take advantage of booming trade and investment opportu-S&P also announced it was taking its ratings on Postinities, writes Tony Walker in pankki, a state-owned Finnish HSBC's latest branch is located in Tianjin and will bank, off its creditwatch list where they were placed in February. But Postipankin's \$3.6bn complement Its branches in of long term debt was never-Shanghai and ln sonthern theless downgraded from A to China. Standard Chartered Bank and Banque National de

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300,000,000 FLOATING RATES DIFFERENTIAL NOTES DUE DECEMBER, 1995

Notice is hareby given to the Notheholders that, pursuant to the Terms and Conditions of the Notes, the rate of interest applicable to the period from March 18, 1993 (included) to June 18, 1993 (excluded) was 2.5768 %.

This rate of interest has been determinated eccording to the formula provided for

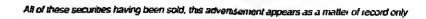
in Condition 4.

"Interest" b) (i), i.e "10.25 % + (3 month USD LIBOR\* (Final Spot / 4.9435) - 3 month PIBOR)".

Therefore, the interest peyable on June 18, 1993 against surrender of coupon nr 2 was:

FRF 658.52 per Note in the denomination of FRF 100 000 of FRF 100,000. FRF 6,585.16 per Note in the denomination of FRF 1,000,000.

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE Luxembourg Branch



25,300,000 Shares

CHASE

### The Chase Manhattan Corporation

Common Stock (Par Value \$2.00 Per Share)

3,795,000 Shares

This portion of the offering was offered outside the United States by the undersigned

Goldman Sachs International Limited

Chase Investment Bank Limited

Credit Suisse First Boston Limited

Memill Lynch International Limited

Salomon Brothers International Limited

S.G. Warburg Securities

ABN AMRO Bank N.V.

**Deutsche Bank** 

Swiss Bank Corporation

Nikko Europe Plc Banque Indosuez

Paribas Capital Markets James Capel & Co.

Commerzbank Aktiengesellschaft

**UBS Limited** 

Creditanstalt-Bankverein Credit Lyonnais Securities Nomura International

Dresdner Bank NatWest Securities Limited N M Rothschild & Sons Limited

Smith New Court Securities Limited Wood Gundy Inc.

21,505,000 Shares

This portion of the offering was offered in the United States by the undersigned

Goldman, Sachs & Co.

The First Boston Corporation

Merrill Lynch & Co.

Salomon Brothers Inc

Bear, Stearns & Co. Inc. Donaldson, Lufkin & Jenrette PaineWebber Incorporated Dillon, Read & Co. Inc. Keefe, Bruyette & Woods, Inc.

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Lehman Brothers

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The Principal/Eppler, Guerin & Turner, Inc.

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Neuberger & Berman

Ladenburg, Thalmann & Co. Inc. The Ohio Company

Scott & Stringfellow, Inc. Seidler Amdec Securities Inc. Wedbush Morgan Securities

AIBC Investment Services Corp.

Carmona, Mottey and Company, Inc.

Stifel, Nicolaus & Company M.R. Beal & Company

Ragen MacKenzie .

Daniels & Bell, Inc.

Brean Murray, Foster Securities Inc.

D. A. Davidson & Co.

Doft & Co., Inc.

The Chapman Company Doley Securities, Inc.

First Equity Corporation WR Lazard, Laidlaw & Mead

Parker/Hunter

First Manhattan Co. Pryor, McClendon, Counts & Co., Inc.

Grigsby Brandford & Co., Inc. Samuel A. Ramirez & Co., Inc.

Rodman & Renshaw, Inc.

Munel Siebert & Co., Inc.

Sloate, Weisman, Murray & Company, Inc.

Sturdivant & Co., Inc.

Van Kasper & Company

June 1993

TOP FINANCE (BERMUDA) LTD HS\$ 15.000.000 FLOATING RATE NOTES DUE 1999 Notice is hereby given that for the interest period from 21 June 1983 to 21 December 1983 the notes will carry an interest rate of 3.5375% per annual. M CHEMICAL

As Agent Bank

CURRENCY MANAGEMENT CORPORATION PLO WINCHESTER HOUSE, 77 LONDON WALL, LONDON ECZM 9ND TEL: 071-382 9745 FAVE 071-382 8487 FOREIGN CXCHANGE & GOLD 24 HOUR LONDON DEALING DESK COMPETITIVE PAYES & FREE DAILY PAX SHEET CALL FOR PURITHER INFORMATION & SROCHURE



# French rate cut prompts concern over Germany

By Peter John in London and Patrick Harverson in New York

short-term interest rates yesterday set the European government bond market alight as economists became increasingly concerned for Germany's position as Europe's currency

Analysts sald the French repo on Friday had not signailed a quarter-point cut in the key intervention rate and it was only yesterday morning that the market began to scent the possibility of an easing.

### GOVERNMENT BONDS

Nevertheless, government bond investors took the cut well and after a brief bout of profit-taking, the September futures contract on the Matif rallied to close 0.26 points

In the cash market, the 10-year French OAT-German bund yield spread narrowed still further. The spread moved from 15 basis points at the end of last week to only 10 basis points at the close of trading yesterday, with some economists predicting parity within the next few months.

The crossover of French and German rates has now moved sharply along the yield curve, with French five-year rates conclusively below their Ger-

man equivalent and seven year rates hitting parity.

A SURPRISE cut in French GERMAN government paper suffered from growing currency worries and disappointing money supply figures. Bund futures for September

fell 22 basis points at one stage as the Bundesbank reported that M3 money supply growth had grown at a seasonally adjusted annualised rate of 6.7 per cent in May, the top end of the target range. Bunds were also under pres-

sure from the continued strength of the dollar against the D-Mark, which is seen as undermining the Bundesbank's desire to ease monetary policy. September futures rallied to close 8 basis points lower et

IN THE UK, gilts were helped by the French rate cut and the overspill from last week's encouraging financial

Government bond futures jumped from 105.23 to 106.06. consolidating last week's surge that followed news of inflation hitting a 33-year low.

Short-dated honds were slightly firmer, but a rise in short sterling was principally attributed to a bounce following aggressive selling at the end of last week. Sunday newspaper comments that Mr Kenneth Clarke, the new chancellor of the exchequer, was poised to announce a half-point

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cut in interest rates ahead of the Christchurch hy-election were discounted. "Most of the Christchurch electorate are holders of net assets - an interest cut would not be very tactical," sald one economist.

■ PORTUGUESE government bonds rose sharply after e 25 basis point cut in the Bank of Portugal's key money rates sparked interest rate cuts

The reduction was a further signal of the ability of Euro-pean central banks to cut rates independently of those in Germany. The intervention rate easing sparked a fall in money rates across the board. Overnight money eased to 12 per cent from 12.25 per cent on Friday and all Libor interbank rates slipped below 13 per cent.

FUTURES-led huying lifted longer-dated US Treasuries yesterday as the short end of the market readied itself for a big infusion of fresh supply.

By midday, the benchmark 30-year government hond was up % at 104%, yielding 6.773 per cent. At the short end of the market, the two-year note was slightly easier, down & at 99%. to yield 4.141 per cent.

Most of the activity was confided to technical trading by dealer accounts, with long prices rising mid-morning after the September Treasury bond contact rose through a key resistance level. Remarks from a senior Federal Reserve governor that he was encouraged by the recent inflation data may also have given longer-dated securities a boost.

were mostly obsent from the market, awaiting today's sale of \$15bn in two-year notes, and tomorrow's sale of \$11bn in five-year notes.

Retail Investors, meanwhile.

THE "Balladur Bond", the French government's new FFr40hn four-year hond issue, is to be lannched this Friday, raising funds for the country's

BENCHMARK GOVERNMENT BONDS Price Change £.500 08/03 113.2339 ±0.237 7.60 7.66 AUSTRALIA 7.24 7.18 9.000 03/03 112.4700 +0.160 BE CILM 7.47 7.62 7.37 7.250 06/03 99.1500 +0.350 CANADA 6.97 7.13 7.52 8.000 05/03 107.1500 +0.550 DENMARK 8.000 05/38 107.2945 40.246 8.500 04/03 111.8800 49.300 6.70 6.75 6.91 8.75 04/03 100.3150 -0.020 GERMANY 11.94 1,500 03/03 101.765D +0.590 11.507 MALY 4,800 06/99 102,6786 -0.179 5,500 03/02 106,7450 -0.373 5.51 7,000 02/03 103,3200 49,020 NETHERLANDS 10.33 10.300 06/02 90.7821 +0.282 SPAN 100-31 101-23 107-18 7.00 7.76 8.13 +9.32 +20/32 5.91 6.80 102-15 +8/32 6.250 02/03 7.125 02/23 8.000 04/03 105/6700 +0.200 7.14 7.31 ECLI (Francis Govi) London closing, "denotes New York marring session.

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economic recovery programme, writes Sara Wehb French hanking sources expect the coupon and commission on the Balladur Bond issue to be set later this week.

The honds, which mature on July 16 1997, can be converted into the shares of newly-privatised companies. The conversion rights are open to investors in France and other EC countries.

Bond analysts expect the coupon on the bond issue to be set at around 6.25 per cent. although the recent rally in the French government bond market fuelled speculation that the coupon may be set even lower.

However, market participants are still anxiously awaiting details of the bond's conversion rights.

The government has said that hondholders will have the right to convert into shares in newly-privatised companies as the government's privatisation programme gets under way. The subscription period for the bond runs from June 25 to

Jul: 10. Caisse Nationale de Credit Agricole (CNCA) and Banque Nationale de Paris (BNP) will he lead managers of the issue and Caisse des Depots Et Consignations (CDC) will he co-

# **Dutch Treasury** bond trading system launched

By Ronald van de Krol

FIVE foreign hanks and brokerage houses have been accepted as special corporate members of the Amsterdam stock exchange so they can take part in a new inter-professional trading system for Dutch government bonds that was officially launched yester-

The new Amsterdam Treasury Bond Market (ATM). designed to allow direct dealing in transactions exceeding F12.5m (\$1.3m), is part of the Dutch exchange's continuing campaign to win back trading in stocks and bonds that has seeped away to London.

The next significant step is scheduled for early 1994, when the share trading system will effectively be split between the wholesale and retail markets.

The five, mainly Londonbased foreign members are Goldman Sachs International. J.P. Morgan Guarantee Trust. Salomon Brothers International. Warhurg Securities and

the UK securities subsidiary of Dutch bank ABN Amro.

The Amsterdam stock exchange said it expected that within the next two weeks four more foreign banks and brokers would take out a special membership, costing Ft 40,000, which was needed to give them access to ATM.

Under Amsterdam's new 3 hond trading rules, transac-tions below Fl 2.5m will remain the preserve of the central trading system, in which orders must be channelled and executed through one of two hoekman" (or market specialist) firms in the field of Dutch government bonds, Bondgeest & Springer and Van Hees.

Under ATM, by contrast, a joint venture between these two "hoekman" firms, Bondgeest & Van Hees, will run an order book in the form of a non-interactive screen and also act as interdealer broker, if required.

Participants can close deals either by using the inter-dealer hroker or by direct trading

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### Mixed response to partly-paid structure of Tesco £200m deal

By Tracy Corrigan

TESCO, the UK supermarket chain, launched a £200m issue with an unusual partly-paid structure more typically seen in the gilts market, which met a mixed reaction.

### INTERNATIONAL **BONDS**

Some dealers said the structure proved a deterrent to some investors, particularly foreign investors who expect sterling to appreciate.

But lead manager Credit Suisse First Boston argued that the structure appealed to for-

eign investors who do not want to take a view on the currency and to retail investors.

The structure of the deal suited Tesco, which does not need the proceeds immediately, but wished to take advantage of favourable market condi-

The 91-year deal was launched at a yield spread of 63 basis points over the 8 per cent gilt due 2003 (or 50 hasis points, if the partly paid feature were stripped out). Dealers said that there was

still strong demand for sterling honds following the recent spate of new issues, but investor demand is drawn to either very high quality paper, or

high-yielding paper. Some said that Tesco, rated Aa3 by Moody's, fell into neither of these categories. But CSFB said that with Eurosterling

plaued by honds offering a spread of 50 hasis points or more over gilts. In the dollar market, two companies issued bonds under newly created Euro medium-

spreads at historically tight

levels, investor interest was

term note programmes. Energie Beheer Nederland. the Dutch state-owned gas production company, launched a \$300m seven-year deal under its new \$1.5bn programme, at a spread of 24 basis points. The deal was considered a touch

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NEW INTERNATIONAL ROND ISSUES

aggressive, but the borrower's issued under its new Sihn Euro AAA rating and rarity value helped fuel demand. A \$250m three-year deal for

Sony Capital, the US arm of the Japanese electronics giant,

MTN programme, was considered tightly priced at 50 basis points over the comparable Treasury yield. The company's debt is rated Aa3 by Moody's, to 52 basis points.

but was recently downgraded by S&P to A. However, lead manager Goldman Sachs said the name appeals to retall investors. The spread widened

### Morocco may return with sovereign issue

MR MOHAMED Berrada, the finance minister of Morocco, said the country was likely to re-enter global capital markets shortly with a sovereign bond issue, Reuter reports.

He said the country was prepared to borrow small amounts at short maturities in the international markets. He noted, however, that some banks were bombarding him with requests to bring Moroccan bond deals to market, and drew a parallel with the 1970s when banks lent money freely to the third world and ended

up with a debt crisis. In our strategy, we want to return to the market but I don't want to increase my external debt. If I want debt, i only want it for private sector companies," he said during a visit to New York to promote Morocco among investors.

Mr Berrada said a small sovereign bond issue would be necessary to get the ball rolling before private compa-nies returned to the market.

The minister's visit to New York has helped prompt a three-point rally in the price of Moroccan debt in the secondary market, dealers said. It is currently trading at 66-3/

8 per cent of face value, a discount that Mr Berrada said was not justified because the country had always serviced its debt. "If you want to make very big money very quickly, you buy Moroccan debt," he sald.

The government is currently considering the possibility of allowing the use of discounted Moroccan foreign loans in debt-for-equity swaps in the tourism and agro-export sectors, said Mr Berrada ....

### **MARKET STATISTICS**

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Lest Declarations Sep. 18 Mid-States, Millwell, Phonelink, For settlement Sep. 27 Ramsemes Conv. Pref., Ratners conth call rate indications are Ord. & Pref. and Tadpole Tech. Put	FT-ACTUARIES FIXED INTEREST INDICES  AVERAGE GROSS Mon Fri Year
nom in Saturday editions. In Retners, Doubles in Enterprise is in Benson Group, Budgens, Computer and ML Labs.	Mon Day's Rd Account of set Setting Communes 21 18 (approx.)
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the Financial Times Limited 1992. All rights reserved.  The FT-SB 100, FT-SB Mid 250 and FT-SE Actuaries 350 indices, the FT-SE waries industry Baskets and the FT-Actuaries All-Share Index are members the FT-SE Actuaries Share indices series which are calculated in accordance in a standard set of ground rules established by The Financial Times Limited London Stock Exchange in conjunction with the Institute of Actuaries and Faculty of Actuaries.	8 Up to 5 years (2) 184.83 +0.02 184.79 1.06 1.92 11 Inflation rate 5% Up to 5yrs. 3.09 3.08 3.07 (11) 174.85 +0.08 174.54 0.60 2.02 13 Inflation rate 6% Up to 5yrs. 3.54 3.55 4.33 Inflation rate 6% Up to 5 yrs. 3.56 3.56 4.33 Inflation rate 6% Up to 5 yrs. 3.57 3.58 4.33 Inflation rate 6% Up to 5 yrs. 3.58 3.55 4.33 Inflation rate 10% Up to 5 yrs. 3.55 4.33 Inflation rate 10% Up to 5 yrs. 3.35 3.35 4.14 Inflation rate 6% Up to 5 yrs. 3.57 3.35 4.14 Inflation rate 10% Up to 5 yrs. 3.35 3.35 4.14 Inflation rate 6% Up to 5 yrs. 3.57 3.35 3.35 4.14 Inflation rate 6% Up to 5 yrs. 3.58 3.35 4.14 Inflation rate 6% Up to 5 yrs. 3.56 3.56 4.33 Inflation rate 6

THREE acquisitions helped JLI

Group, the dried fruits, nuts

and pickle ingredients proces-

sor, lift pre-tax profits hy 64 per cent, from \$3.17m to \$5.2m,

The group bought food pro-cessors TG Smith (Fine Foods)

for £800,000 in April and Cadec

in June for £500,000, as well as

packer and distributor Brook

erpaks for £2.5m in September

Two rights issues in as many

KINGFISHER, the retailing group, is

expanding its Charlie Browns motor parts

and fast-fit superstore chain by huying 18

similar outlets from the Unipart Group.

The purchase, for about £3m, will increase the Charlie Browns network to 79 outlets.

The Unipart outlets are concentrated in

the Midlands and Wales whereas the exist-

ing Charlie Browns network is mainly in

Unipart, which defied the recession last

Danka takes first step

into Europe with £9m buy

year to increase pre-tax profits hy 29 per

years, which raised £20.7m net, funded the acquisitions. Gear-

in the year to March 31.

TE:

The Paris of

7.7 23 return

ign issue

11.5

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16 to 16 to

By Peggy Hollinger

the north of England.

DANKA Business Systems, the acquisitive US-based office equipment supplier quoted in London, yesterday announced its first move into Europe with the £9m purchase of a private UK copier company.
Mr Dan Doyle, chief execu-

tive, said the purchase of Saint Group marked the beginning of an acquisition campaign to the

"Now is the right time to unfold our strategy of seizing fragmented markets," he said. "I believe the opportunities in the UK are very exciting."

Although Mr Doyle said in

May that Danka would fund purchases through cash flow and recently increased banking facilities, the latest acquisition will be paid for with the issue of 1.1m shares and cash of £498,000.

New Issue

ing fell from about 33 per cent executive, said: "Our declared to 14 per cent and interest payments to £734,000 (£940,000). The new businesses contrib-

uted £1.16m to operating profits of £5.95m (£4.11m) and £20.4m to turnover of £104.7m (£84.3m). Operating margins climbed for the sixth successive year, reaching 5.7 per cent

Earnings per share rose to 9.3p (8.3p, adjusted for the rights issues). The final dividend is 3.1p giving a total of

Mr Yoav Gottesman, chief

strategy is to improve the qual-ity of our business and earnlngs through the development activities in food processing and distribution." He said the company was aiming to grow organically and through acqui-

Devaluation of sterling will have an effect as the increase in relative raw material prices collided with the competitive squeeze on retail prices.

The group said following the acquisitions lts snacks division

market. The spacks businesses were now integrated under the renamed Tee Gee Snacks with a newly appointed managing director, Mr Peter Clee.

In the ingredients division, Jack L Israel (Norfolk) and Langwoods, both food processors, had a "disappointing year" with selling prices depressed by low fresh produce

However, Jack L Israel's distribution husiness performed well and the division benefited

# Kingfisher expands Charlie Browns

cent to a record £19.1m, is quitting the aftermarket superstores sector, partly in order to concentrate on its manufacturing

New businesses contribute £1.16m to operating profits of £5.95m

Acquisitions help JLI leap 64%

activities. It has acquired component supply contracts with Toyota and Honda, as well as with Rover Group, its former owner. It regards the UK's expanding car manufacturing industry as more attractive than the fiercely-competitive, and still heavily depressed, aftermarket sector.

However, both Charlie Browns and the Unipart outlets were said by their respective owners yesterday to be operating

Unipart confirmed yesterday that it is continuing to negotiate the possible purchase of Multipart, the parts distribution operation for Leyland trucks, based in Chorley, Lancashire. Whereas both the truck and van making arms of Leyland DAF have been sold by the receivers to management buy-out teams, Multipart remains in receivership.

Unipart is competing for the profitable Chorley operations against a management buy-out team, but denies reports that bids of up to £100m might be in prospect.

### Johnson Matthey chief takes 32% pay increase

By Kenneth Gooding,

agreed to retain more than 90 per cent of their shares for an Mr Martin St Quinton, Saint's majority owner, has amployment contract to run from £184,018 to £242,980. Danka UK, as Saint will now

be called. y rise for 1990-91. Saint, which distributes Canon, NEC, Konica, and Risograph equipment, reported pretax profits last year of £752,000 on sales of £13m.

The group claims net assets Mr Mark Vaughan-Lee, Danka's chairman, said he expected Saint's profits contribution to be significantly higher in the current year, due to the disposal of two loss-making

The vendors of Saint, who

will have some 3 per cent of

the enlarged company, have

unspecified time.

Mining Correspondent

THE PAY of Mr David Davies, executive chairman of Johnson Matthey, the advanced materials technology company, rose 32 per cent last financial year, This followed a 25.5 per cent

According to the annual report, Mr Davies's pay last year included a performancerelated bonus for the first time of £42,534.

It said bonuses were determined by the management development and remuneration committee "for the achievement of budgeted profit targets and personal objectives which are set at the beginning of the financial year." businesses before being taken

Bonuses are disclosed in the year in which they are paid rather than the one in which they are earned.

Mr Davies'a basic pay rose by 9 per cent to £200,446 last year compared with a 9.8 per cent increase to £73.8m in the group's pre-tax revenue. Payments to ahareholders ere lifted by 6.7 per cent to 10.3p.

Since Mr Davies became chairman in January 1991, JM has virtually completed a rationalisation programme which, among other things, has seen its workforce fall from 7,358 to 6,142. This boosted profit per employee from £5,800 in 1989-90 to £11,800.

in his annual statement sent to shareholders yesterday, Mr Davies estimated that without the rationalisation JM's costs in 1992-93 would have been higher by £25m.

# construction decline as profits fall

PRE-TAX profits at Allen were halved from £3.21m to £1.51m in the year to March 28 as the construction industry continued to decline, undermined by high interest rates in the first half and "political and economic uncertainty" in the second. Turnover fell to 252.2m, against £58.9m.

While announcing the results, Mr Donald Greenhalgh, chairman and managing director of the group, which has interests in housebuilding, contracting, hire services and property development and investment, inveighed against pay rises for directors even when their companies have fallen into losses. long service contracts and

share options. This time, Allen's six board directors shared £417,000 for basic salaries, benefits in kind, and pension contributions, against £456,000 previously. Some £440,000 is expected for this year. Further, main board directors received no performance-retated bonuses (tast time £135,000 was paid), though Mr Greenhalgh said directors and staff of particular companies were rewarded

for meeting pre-set targets.

Margins in the househuld-ing and blre services sides were hit as operating profits declined 27 per cent to £1.47m and 45 per cent to £410,000 respectively. Their turnovers were more or less static at £15.9m and £7.8m respectively. Completed houses rose by 9 to

Mr Ken Fox, deputy managing director, said that Allen had now left the speculative development market, but that property investment was "a steady earner".

Divisional profits tumbled to £42,000 (£150,000) on turnover of £437,000 (£1.6m). Contracting made £780,000 (£1.5m) on turnover down at £26.8m (£32.9m). After a one-off 25.9 per cent tax charge, earnings per share only declined to 5.05p (9.69p), allowing the maintained total dividend of 5p to be covered. The final is a proposed 3.35p.

# Allen hit by | Cost cutting bears fruit as Renold returns to black

By Paul Taylor

COST CUTTING and productivity gains helped Renold, the chain and gear maker, return to profit last year, even though trading conditions remained difficult in its important western European mar-

The group reported pre-tax

profits of £1.2m in the year to

April 3, compared to a toss of £3m, on turnover increased by 3.5 per cent to £125.1m The £4.2m turnround reflected gains in efficiency and margins rather than any

overall increase in volume. The results came after charging £1.4m for redundancy costs. against £1.6m last year.

Following a lengthy period of reorganisation, the group's chain operations bad settled

down and were beginning to deliver "steadily improving results."

Productivity at the Bredbury chain factory had increased markedly, the French business returned to profit, benefiting from growth in automotive chain volumes and greater manufacturing efficiency and, despite lower domestic orders, German results also improved.

boxes, while the couplings bustness at Cardiff produced

sterling began to benefit profit margins on products exported

Mr Peter Frost, chairman,

in the Milnrow gears operation profitability was affected by weak demand and intense competition for standard gear-

"an excellent performance." The US operations, where significant cost reductions were made the previous year, returned to profit, and by the final quarter the devaluation of said trading conditions had strengthened in some of the group's worldwide markets, particularly Australia and New

Zealand, but prospects in western Europe remained uncer-He added that the full effect of the devaluation of sterling would benefit the current year, as will actions which have

been taken, and continue to be taken, to strengthen the busi-Interest charges increased to £1.9m (£1.8m) while net borrowings at the year-end declined slightly to £12.1 (£12.8m) and gearing fell by 2

percentage points to 23 per

Earnings per share were 0.9p (losses 5.6p). The dividend is unchanged at 1p.

### Placing gives Enviromed £15.8m tag

By Richard Gourlay

ENVIROMED, a biotechnology and healthcare group, is to float later this month via a placing that will value the company at £15.8m.

The group designs and develops day care surgeries and makes and installs hospital operating theatres as well as applying hiotechnology to monitor the environment.

lts environmental sensor products are marketed and distributed through a subsidiary

of Halma, the safety and environmental control group. Environed also tests the interaction between chemical products and the environment. It expects to make a profit of ahout £500,000 on sales

of £5m in the year to September 30. Société Générale is placing 3.73m shares at 110p. About 3.1m. of the 14.4m shares that will be in issue, are being placed on behalf of the company. This will raise £2.96m used to consolidate group operations at one site in Milton Keynes and will provide about £2m of working capital for growth.

Existing shareholders are raising about £680,000 which will be used to repay family and friends who have financed group development to date. Sir Geoffrey Allen, who was

research and engineering director at Unilever until t990 and a non-executive director of Courtaulds, will be non-executive chairman.

**Brooke Tool cuts** 

losses to £397,000

Pre-tax losses at Brooke Tool

Engineering (Holdings) were

cut from £1.57m to £397.000 in

the six months to the end of

March, Turnover fell to £7,22m,

against £9.66m which included

£1.82m from discontinued

Mr Bernard Friend, chair-

man, said that the cutting tool

companies, which had been a

problem area, had improved

### FGP to acquire commercial printer in £1.5m deal

By Raymond Snoddy

THE FINANCIAL & General Print Group is to take over Brown Knight & Truscott, one of the UK's oldest commercial printers, founded in 1825.

Both companies specialise in corporate and financial publishing with clients ranging from ICI and Guinness to The Body Shop and the Milk Marketing Board. FGP, hased in Edmonton, London, was founded only eight years ago. Mr Micbael Brown, whose family has been involved with Brown Knight since 1855, will become chairman of the new company trading under the Brown Knight & Truscott name. The combined turnover of group will be £10m.

Brown Knight incurred a pre-tax loss of £914,000 on sales of £7.1m in the year to end-March 1992.

specialist market.

profitability and seen strength-The acquisition, believed to be worth about £1.5m, will cre-ate a company with an estiened order books. The interest charge was cut from £406,000 to £257,000. mated 10 per cent share of its Losses per share were 1.1p

activities.

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# Falling demand behind British Steel deficit

By Andrew Baxter

BRITISH STEEL yesterday reported its worst annual figures since privatisation in 1988 with a pre-tax loss of £149m for the year ended April 3. The final dividend is cut from 1.5p

The loss, in line with market expectations, compared to a deficit of £55m a year earlier, and reflected continuing difficult trading conditions.

Mr Brian Moffat, chairman and chief executive, said: "Falling demand both in the European Community and elsewhere and excess production capacity resulted in significant price reductions across most product areas."

Turnover fell from £4.6bn to £4.3bo, and a trading loss of £113m (£98m) was incurred. The latest pre-tax loss was struck after the company's share of associates' losses of £19m against £6m profits last time - and net interest.

The attributable deficit was £130m (£34m) and losses per share widened from 1.7p to

UK demand for British Steel's main finished products resolved, the recommended 1p

fell 4 per cent to 8.2m tonnes Total sales volume slipped from 12.2m tonnes to 11.9m, reflecting an 8 per cent fall in UK deliveries and a 4 per cent rise in export volume.

Explaining the dividend decision, Mr Moffat said the board had decided in November not to pay an interim dividend, but indicated that in the absence of unforeseeu circumstances a final of 1p would be paid.

Subsequently, said Mr Mof-fat, steel prices throughout Europe fell even further, but this had recently started to be reversed. "Prices for steel products are heginning to move towards more realistic levels, although they still remain some 10-25 per cent below mid-

Mr Moffat said that, overall, sbort-term prospects bad Improved but the situation remained "fragile." Sustained recovery was beavily dependent on the proposed restructuring of the European steel industry, and particularly on effective controls by the EC on the continued availability of state aid for some producers.



final compares with the previous year's total of 4.5p. However, Mr Moffat warned that the reinstatement of dividend payments to more normal levels would require "a sustained recovery in the profitability of the company as well as the continued maintenance of a sound financial position." Looking ahead, British Steel

said economic activity in conti-

nental Europe, particularly Germany, had declined in the past year and many countries were now in recession. Recovery in the UK appeared to be under way, but was likely to be slow, and the advantages of devaluation would be restricted by the weak state of most export markets.

In the UK, steel-using sectors were likely to recover at differ**British Steel** 



Others £315 USA 2218 Europe (excluding EC) 2290 European Community 21,235 [ United Kingdom £2,197



Costed £854 sted strip 2860 🔲 Tobal £2,277 ent rates. Output in the automotive sector was expected to recover due to a combination

export potential of new UK But construction output was expected to decline further this year. Overall UK steel consumption is expected to lag hehind a general recovery in

of growing demand and the

British Steel's capital expen diture dropped from £255m in 1991-92 to £197m, and numbers employed at year-end fell from 49,500 to 42,100. However, some 3,300 of this reduction was accounted for by the creation of Avesta Sheffield, the Angio-Swedish stainless steel producer into which British Stee Stainless was merged last

kinless £189

Tubular 9436

Sections and plates 2871

# Zeneca rights likely to be seen as a success

By Maggle Uny

THE £1.3bn rights issue from Zeneca, which closed at mid-night, is likely to he seen as a

With the shares standing at 618p yesterday, down 4p, compared to the 600p rights price. institutional investors are expected to have taken up their rights.

The stock market was apparently unworried by the issue, with the FT-SE 100 index rising 24 points to close at 2903.4 yes-

However, Zeneca, the bioscience business demerged this month from ICI, has a larger proportion of private shareholders than many oompanles, estimated near 25 per cent of the

Such investors are usually

less likely to exercise their rights than institutions. As a result the take up could be less than the 90 per cent plus figure often regarded as a good result for a rights

However, SG Warburg, the lead underwriter to the issue. would hope to place any rump in the market rather than make a call on sub-underwriters to fulfil their obliga-

With such a large issue, even a small percentage left would represent a sizeable placing in

money terms. Investors may be encouraged to huy extra shares because of the high yield Zeneca offers, and the feeling that healthcare stocks have heen oversold because of fears regarding the impending healthcare reforms

### Alexon requests suspension of shares

By Angus Foster

SHARES IN Alexon Group, the women's wear retailer, were suspended at the company's request yesterday morning following press speculation about its refinancing plans, first announced last month.

at 78p, compared to the peak of 444p following the 1991 demer-

ger from Claremont Garments (Holdings), the Marks and encer supplier.

With these issues still to be

The group, which has seen bad news mount since the heginning of last year, said "negotiations for the raising of new equity capital and for new

hank facilities are nearing In April the chairman and two chief operating officers

were removed following pressure from institutions. Alexon's largest institutions are thought to have refused to back a rights issue, needed to reduce borrowings of more than £20m, without the board

Alexon is later this week expected to restate its results for the 53 weeks to January 30. As previously reported, it

incurred a pre-tax loss of £986,000.

The company sought a suspension because it could he several days before the audited results and details of the new funding requirements are ready. In consultation with the Stock Exchange, it was decided a suspension would reduce uncertainty ahead of the

# Carlton plans move into Asian television

By Raymond Snoddy

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CARLTON Communications, the hroadcasting and television services group is planning an expansion into the Asian

Mr Nigel Walmsley, managing director of Carlton Television, the weekday ITV company for the London region, has recently returned from exploratory talks with leading broadcasters in the

The company, already well known to

Asian broadcasters through Quantel, its hroadcasting equipment division, is now keen to explore everything from equity stakes in Asian hroadcasters to joint ventures on new channels.

Mr Walmsley had talks in Hong Kong with Star TV, the Asian satellite vecture which claims more than 45m viewers in 38 countries and with the Hong Kong domestic hroadcasters Television Broadcasts (TVB) and Asia TV.

Earlier this month, Mr Rupert Murdocb's News Corporation signalled its

intention to become a significant force in the region with an agreement to pay HK\$1.85bn (£161m) for a 22 per cent stake in TVB.

Star has been talking to a number of potential investors while making it clear that it is mainly interested in joint ventures on the programming side rather than equity investments in the holding company.

Carlton has been looking at the potential of television investments in Singapore and mainland China,

### Clark chairman quits in aftermath of failed bid

By Peggy Hollinger

WALTER Dickson, chairman of C&J Clark, has announced bis resignation from the family-owned shoe company which recently rejected a controversial bid from Berisford International after months of boardroom dissention.

Mr Dickson, appointed on a three year contract in 1991, is expected to step down within the next three months.

The chairman, who backed the Berisford hid, will receive no compensation payments other than the outstanding balance of his salary which was £206,000 last year. He will retain options, which must be exercised by 1995, over 615,000 shares at 130p. Earlier this year, the shares were valued at

100p.
The resignation was widely expected following the extraordinary meeting in May, where shareholders agreed to implement corporate governance proposals in a hid to fend off

In a letter to shareholders this weekend, Mr Dickson said

flotation was expected to occur within three to four years. He also announced that Mr Roger Peddar, a director, had been appointed deputy chairman. Speaking from his home, Mr Dickson said the difficulties of the past year had "reflected the deep-seated problems of coming to the conclusions they (Clark shareholders) had to come to . . . I acted as the agent

of change. Success would now depend on implementing to the full all the promises made at the EGM, he said. Flotation must be done on "a proper basis... with no strange mechanisms". Clark has in recent years considered flotation through the issue of

eave the controlling family shareholding intact. Mr Dickson also said Clark, which saw pre-tax profits fall from £20.4m to £1.7m last year, had returned encouraging results in recent months particularly in light of the devalu-

preference shares which would

ation of sterling. It is expected that the company will return profits of more than £16m in the current

ANNOUNCED

	Current payment	Date of payment	ponding dividend	for year	last year
Allen §fin	3.35	July 31	3.35	5	5
Amberleyfin	1	Oct 1	1	1	1
British Steel	1	Aug 16	1.5	1	4.5
Dartmoor by Tstfin	3.9†	July 30	3.8	11.6	11.2
Fletcher Kingfin	0.5	Oct 1	0.5	0.5	0.5
JLIfin	3.1	Sept 9	3	4.65†	4.5
PolarInt	2	Aug 13	2		4.5
Renoldfin	1	Aug 12	1	1	1
Stam Selectivefin	1	Sept 10	0.25	1	0.25
			-		

### Dividends shown pence per she increased capital. §USM stock.

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For an analysis of the control of th

# NIE shares rise 26% amid heavy trading

SHARES IN Northern Ireland Electricity rose more than 26 per cent yesterday amid heavy trading, on their first day on the market following privatisa

The price of the partly paid shares touched 130p at one stage, against the flotation price of 100p, before ending the day at 126%p.

Analysts said yesterday NIE was likely to stay at about yesterday's closing level in the next few days.

At yesterday's close, the shares were trading at a yield on 1992-93 earnings of 5.2 per cent, about the average for SG Warburg Securities was advising clients to sell when the price rose above 125p. Mr Nicholas Pink, an analyst, said it was difficult to see how NIE could outperform the

market above that price However, some institutions were looking to buy shares in the company because they had heen unable to pick up the weighting they sought during privatisation. The shares were

subscribed 2.7 times. During the day 51m of the 164.6m shares changed hands, making NIE the heavlest traded stock on the market for

Interim certificates are due regional electricity companies to be despatched on Thursday.

### Shield Diagnostics plans flotation later this year

By James Buxton. Scottish Correspondent

SHIELD Diagnostics, a Dundee-hased hiotechnology company, is planning a flotation in September or October. Until recently it was incurring heavy losses hut has achieved success with selling kits to diagnose a number of common diseases in the UK, continental Europe and North

It made a pre-tax loss of £1.4m on sales of £445,000 in the year to March 31 1992. But Mr Hamish Hale, chairman, said that in the last financial those in 1992. It hroke even in the last quarter, but incurred a

Shield's kits are used to diagnose genito-urinary infections such as chlamydia, and autoimmune diseases.

The company is also developing a product which tests for incipient heart attacks in collaboration with Stago Diagnostica of Fraoce, using funds from the EC's Eureka programme for technological inno-

Apax, formerly Alan Patricoff Associates, the venture capital company, is a large shareholder. Mr Hale is a director of Apax and also has a pe sonal equity stake in the com-

Details of the flotation have not been decided. The compa ny's stockhroker is Allied Pro-

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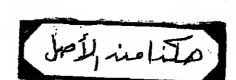
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### **COMPANY NEWS: UK**

# Pressing in on the inner circle to escape a slow and painful death

Andrew Baxter examines the strategy underlining Stadco's delight at winning a £21m order from German carmaker Audi

EW THINGS cheer hard-pressed manufacturers so much as winning a first-ever contract in a difficult foreign market against entrenched rivals. When that market is Germany, UK exporters need all the help they can

in March, Shrewsbury-based Stadco, part of publicly-quoted Hall Engineering (Holdings). announced a £21m order from Audi, part of the Voikswagen group, to supply vehicle assembly equipment and related tooling - its first order from a German-owned car company.

The second secon

s rise 26%

y trading

lostics plan

er this year

Last September's devaluatinn of the pound against the D-mark helped, says Mr Alan Mace, Stadco's managing direc-

But the victory was also the result of months of close technical and commercial collaboration between the two companies in a market where suppliers increasingly need to get in early if they are to influence production processes.

Devaluation could not have come at a hetter time for Stadco. Coupled with the German motor industry's new found commitment to outsourcing components and manufacturing equipment beyond its traditional domestic suppliers,

the company has a special opportunity to expand its presence in the European automo tive market.

Mr Mace wants to lift Stadco from the second tier of equipment suppliers up to, or close to, the hallowed inner circle of three big European suppliers: Comau of Italy and Kuka and Thyssen of Germany. As the carmakers reduce the number of suppliers with which they deal. Mr Mace wants Stadco to be on as many contract short lists as possible.

But he also believes that the devaluation, and the experience gained from working with the Japanese car producers or the Japanese-influenced motor industry in the UK - such as Rover - puts Stadco in a good positinn to develop its automo-tive pressings business.

orking with Japa-nese vehicle manu-facturers in the UK has prompted Stadco to adopt their "cost-down" approach, eliminating waste, implementing continuous improvement programmes, and tightening stock control in a way that has yet to be achieved by continental European pressing compa-

German vehicle manufactur-

ers, too, have been slow to specify Japanese production equipment, he says, but could buy from Stadeo, which bas incorporated some elements of Japanese "ienn" mannfacturlng techniques intn its own

Mr Mace's amhitions for Stadeo look like turning it into an increasingly important part of Hall, which is best known for its steel stock holding and construction product interests. Stadco is the successor to the

old Chatwood Safe Company, which began manufacturing at Shrewshury in 1926 and now survives as Stadeo Security, the strong room supplier and huilder. Togethar with Stadco Cooling, which makes Industrial coobing systems, this represents nnly about 5 per cent of the business.

The rest is automotive pressings - steel stampings and subassemblies - and automation, specialised equipment for assembling parts of a car body. And this is where Stadco has been growing. Orders received have jumped from a total of £25m in 1983 and 1984 to £115m in 1991 and 1992. Sales have

risen from £11m in 1983 to

£45m-£50m in each of the past

two years. That compares with

Hall's total turnover of £135.7m

Stadco's profits hit a peak of £4.86m in 1991, hut slipped

back last year to £2.94m, a reflection of the difficult conditions in the motor industry.

In spite of the profits down-turn, Mr Mace is confident about Stadco's future and its financial bealth. The company has been regularly generating cash since the mid-1980s, he says, and has sold more abroad than at home in five of the past 10 years.

nd, over the past A decade, capital employed has nnly doucapital bled while sales have more tban quadrupled - due to tigbter management controls and better negotiations on payment terms from customers.

Bebind the numbers, bowever, lies a change in strategy which Mr Mace believes rescued the pressings division from a "sinw, painful death." in 1986 and 1987, the division was at the peak of its profitability, making large pressings for the automotive industry.

But Stadco anticipated that customers would increasingly want to retain their large pressings in-house - to keep body-skin information private as long as possible, and to save on damage and transportation

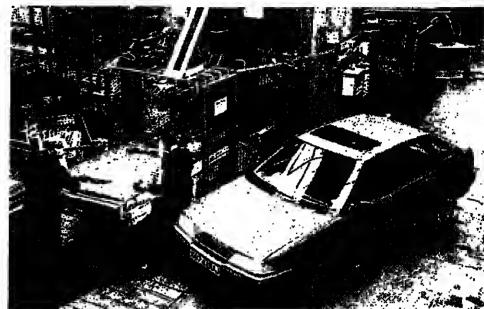
The pressings husiness needed, therefore, to move into the market for smaller, higher value-added, sub-assemblles, which vehicle makers increase ingly want to outsource. An example is a centre piliar assembly - "not exactly a glamour item, but there is quite a lnt of assembly involved," says Mr Mace. The change of tack has proved correct, he says, "Had

now be in husiness". The automation division, meanwhile, is responding to the growth in its husiness and to the increasing size of indi-vidual contracts. The division's final assembly manufacturing space is being doubled to 40,000

we not moved out of simple,

large pressings, we would not

At the same time, the divisinn is trying tn encourage vehicle makers to leave it more of the detail of an assembly line design and take it into their confidence earlier through a process of simultaneous engineering. The aim is to reduce costs and cut lead times while minimising the risk of losing husiness if a contract is put out to bidding in the traditional way.



Tn remain competitive, the business had tn move into the market for smaller, lighter b-assemblies and incorporate lean manufacturing techniques to meet customers' demands.

Mr Mace has recently been looking at automatinn and pressings companies in France and Germany with a view to possible acquisition or joint venture. Working together could win husiness that would ntherwise not have been avail-

But Stadco remains heavily dependent nn the automotive industry. "We're exposed both the capital expenditure side."

to the production side and to Consequently, he is no the

Stadco either in a different part of the automotive industry or, preferably, a non-automotive business in a technology that Stadeo understands. 'l'd feel more comfortable then," he admits.

look-out for a "third leg" for

### **Amberley** upturn in second half

AMBERLEY, the USM-traded building preservation business with operations in France and Belgium, finished the year to March 31 with a pre-tax loss of £91,000, against a £73,000 profit.

There was, however, a significant upturn in the second haif, said Mr James Leek, chairman. An operating profit of £48,000 was recorded prior to exceptional costs of £60,000 relating to the resignation of Mr Dennis Buckley, the former

in March, Mr Buckley and Mr Mark Pye, then managing director, sold the majority of their shares to Mr Robert and finance director respec-

Mr Pye remains as managing director of the French and Belgian operations. Mr Leek hecame chairman in April; the same month Peter Cox placed its holding of 29.99 per cent of Amberley with institutions and with Mr Leek and his family. Turnnver was £3.82m (£3.18m). Losses per share were

1.71p (earnings 0.46p) but the dividend is again 1p.

Fletcher King Fletcher King, the commercial estate agent and construction management group, reported virtually static profits in the 12 months to April 30.

Mr David Fletcher, chairman, said the outcome - profits amounted to £224,000 (£228,000) on turnover of £4.97m (£5.42m) – was "particu-Healy and Mr Brian Meddings, larly satisfying" against the who became chief executive poor property market and in a

year in which capital and rental values fall significantly. Earnings per share emerged at 1.6p (1.7p); the proposed final dividend is again 0.5p maintaining the total for the

Amersham Intl

Amersham International, the bealth science group, has received US marketing approval for Metastron, Its injectable radiopbarmaceutical, from the Food and Drug Administration.

Earlier this year, Amersham joined with Zeneca to co-promote the drug, which helps control pain of secondary cancer that has spread to the

Siam Selective

Interest charges up from £54,487 to £351,413 left Siam Selective Growth Trust with

an after-tax loss of £201,117 for the year ended March 31, against £23,259 previously. Gross revenue rose from

After tax of £83,435 (£56,939), deficit per share grew from 0.16p to 1.34p. The dividend. however, is lifted from 0.25p to

Ladbroke

Ladbroke Group announced a basis price of 175.75p per share for new shares to be issued to sharebolders who elected for the enhanced share alternative to the 1992 final dividend.

At this price, a total of 53,23m new shares will be allotted under the enhanced alternative, with 12.42m of those shares being purchased by SG Warburg Securities and Smith New Court Securities under their cash offer - as subsequently increased by Swiss Bank Corporation.

NEWS DIGEST Dealings in the new shares are expected to commence on

Dartmoor Inv Tst

Dartmoor Investment Trust reported net assets per share down at 79.33p at April 30, compared with 90.12p a year earlier. The fall followed a £8,05m rights issue during the

period. Net revenue for the year to the end of April came out higher at £2.84m (£2.3m) for earnings per share of 12.09p

A fourth interim of 3.9p (3.8p) makes a total for the year of 11.6p (11.2p) as stated in the rights prospectus.

BSN, the French food group whose interests cover goods from champagne to biscuits, is accelerating its ambitions along more esoteric lines. It is taking a 40 per cent stake in BEI Foods, a Londonbased group which imports and

processes indian and Chinese foods. Its own brands include Lotus and Rajah; it is also the UK distributor of the Amoy brand, acquired by BSN in

BEI - the acronym stands for Bombay Emporium international - achieved turnover of £47m in 1992-93.

Polar

Polar, the designer and distrib-utor of electronic components, increased pre-tax profit from £451,000 to £490,000 in the six months ended April 2.

Turnover amounted to £9.57m against £8.29m. interest charges came to £43,000 (£25,000).

Earnings per share were 4.1p (3.7p) and the interim dividend **Bula Resources** 

Buia Resources, the lrisb exploration company, turned in a substantially higher loss of 1£2.57m (£2.5m) in 1992, compared with I£201,000.

Some 1£2.3m of that was attributable to exceptional

Turnover feli to L£1.58m (I£2.2m) following a fall in US oil production.

However, costs of sales were also reduced, from I£1.73m to 1£1.37m. Losses per share worked through at 0.48p

Sidlaw

Sidlaw Group, the oil services, packaging and textiles concern, is paying £3.7m to acquire Deeside Packaging (Stonehaven) and Shield Pack-

Deeside and Shield are estab-

ble packaging for a range of consumer product markets, most notably bread, frozen and processed foods and soft tissue products. Consideration for Deeside, a

privately nwned company hased near Aberdeen, amounts to £1.7m, of which £610,000 has been paid in cash and the rest satisfied by the issue of variable rate unsecured loan stock 1994-2000.

The £2m price for Shleld, located in Washington, near Newcastle, has been pald in

No probes

The proposed acquisition by MD Foods of certain assets of Dairy Crest and the acquisition by Nortbern Independent Hospitals of all the shares it does not already own in North West Independent Hospitals are not being referred to the Monopolies and Mergers Commission.

### This udvertisement is issued in compliance with the requirements of the International Stock Exchange of the United nangons and the reputate of treated limited the London Stock Exchange?. It does not condition an invitation to the public to subscribe for or purchase, any soctivities. Application has been made to the London Stock Exchange for the grant of permission to deal in the whole of the issued and to be Issued share capital of Princedole Group PLC in the Unlisted Securities Market. It is complissived that no application has been made for the Ordinary Share capital to be admitted to the Official List. It is expected that dealings in the Consolidated Ordinary Share will commence on 29th June 1993 and that dealings in the Consolidated Ordinary Share will commence on 29th June 1993 and

### PRINCEDALE GROUP PLC

(Registered in England No. 1510929) INTRODUCTION TO THE UNLISTED SECURITIES MARKET

following the acquisitinn nf Cnlinids Limited, Hallam Plastica Limited and Hallmark Cnntract Hire Limited

a Placing and Open Offer of 20,303,899 New Consolidated Ordinary Shares of 20p each at 25p per share

**GUINNESS MAHON & CO. LIMITED** 

and n Capital Reorganisatina

Share Capital (immediately following the Placing and Open Offer)

Authorised in Ordinary Shares of 20p each £17,500,000 The activities of the enlarged group include the provision of marketing services, the

manufacture of plastic materials and products and the contract hire of heavy goods vehicles. The Information Memorandum relating to Princedale Group PLC is available in the statistical The Information Memorandum relating to Princedale Group PLC is available in the statistical services of Extel Financial Limited. Copies of the Information Memorandum may be obtained during normal husiness hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office, the London Stock Exchange, Copel Court Entrance, off Bartholomew Lane, London EC2N 1HP, by callection only up to and including 24th June 1993, and during normal husiness hours up to and including 6th July 1993 from the Company Secretary, Princedale Group PLC, 49 Princes Place, London W11 4QA and from:

Guinness Mahnn & Co. Limited 32 St. Mary at Hill London EC3P 3AJ

22nd June 1993

BANCO DI NAPOLI US\$ 100,000,000 SUBORDINATED FLOATING RATE

Notice is hereby given that, in accordance with the provisions of the above nentioned Floating Rate Depositary Receipts, the rate of interest for the six nonths period from June 21, 1993 to December 21, 1993 (183 days) has been fixed at 3.7875% per annum.

DEPOSITARY RECEIPTS DUE 1996

The Interest payable on December 21, 1993 will be US\$ 192.53 In respect of each US\$ 10,000 Note and US\$ 1.925.31 in respect of each US\$ 100,000 Note.



U.S. \$150,000,000 MARINE MIDLAND BANKS, INC. Floating Rate Subordinated Notes Due 2009

5%% per annum

U.S. \$165,000,000 Parklabrea Finance Corporation Guaranteed Floating Rate Bonds due 1998

Bondholders are advised that for the ski months interest Period from June 22, 1993 to December 22, 1993 the Bonds will carry an interest rate of 3,887% per annum. The amount payable on December 22, 1993 will be U.S. \$187.45 p. U.S. \$10,000 principal amount. By: The Chase Manhattan Bank, N.A. London, Agent Bank June 22, 1993

YEN 15,000,000,000 AKTIEBOLAGET SPINTAB (SWEDMORTGAGE) Subordinated Floating Variable Rate Notes

Issued and to be issued fully paid

£9,177,744

Interest Rate 4.10% p. a. Interest Period June 21, 1993

Interest Amount due on September 20, 1993 per Yen 100,000,000 Yen 1,036,389 **6**. 7/3 **3** 

BANQUE GENERALE DU LUXEMBOURG Agent Bank

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### FT GUIDE TO WORLD CURRENCIES

COUNTRY		r 516	us s	D-MARK	YEN (X 100)	COUNTRY		£ STG	US \$	D-MARK	YEN (X 100)	COUNTRY		£ SIG	us s	D-MAPK	YEN (X 100
Alghonistan	(Alghani) (Leh) (Diner)	99.25 162.95	66.7226 109.546	39.5024 64 8557	60.0605 96.5081	Gambia Oermany	(Dalast) (D-Mark)	13.1856 2.5125	8.8842 1,689	5.2479	7,9791 1,5204	Pakistan Panassa	Pak, Rupee)	39.8425 1.4875	26.7848	15.8577 0.592	24.110
Algeria	(Direct)	33.55	22.5546	13.3532	96.6081 20.3025	Ghana	(Ced) (GD E)	2.5125 950.06	638.655	378.109	574.887	Papua New Guines	(Alos	1,4505	0.9751	0.5773	0.877
Anderra	(Fr Fr)	8.4425	5.6758	3.3601	5.1089	Gibraltar Grance	(Cort) 2)	1.00 341.28	0.6722 229.432	0.398 135.833	206,523	Paragury Peru	(Suprant)	2567.45 3.01	1726.02 2.0235	1021 87 1.198	1553.1 1.82
Annaha	(Sp Peseta)	191,95	125.042	76.398 2419.1	116.157 3678.06	Greedland	(Danish Krone)	9.B125	6,4521	3.8258	5.6169	Posippines	(Peso)		26.642	15.7731	23.98
Angota Antiqua	(Filew Kassezni)	4,60	2,589	1.592	2.4205 0.8984	Grennda Gestialogue	(F Carr S)	4.00 8.4425	2,689 5,6756	1.592 3.3601	2,420S 5,1089	Placetra Is	(2 Sterling)	1.00 2.7390	0.6722 1.5413	0.398 1.0901	D 605 1.657
Argestine Araba	(Pasa) (Floris)	1.48475 2.6520	0.9981 1,7828	0.5909	0.8964 1.6048	Gustagneia.	(US \$) (Quotzal)	1.4875 8.3290	5.5983	0.592 3.315	0,9001	Poland	(Zlohy)	26393.0	17743.2	10504.7	15971
Acceleation	(Aus S)	2.1785	1.4645	0.867	1.3183	Guinna	(Fr)	1203.40	809.008	478.965	5.0402 728.23	Portugal	(Escuda) NS S	238.45	160.303	94.9054	144,21
Austria Azoros	(Schilling)	17.575 236.45	11.8623 160.303	7.0348 94.9054	10.6959 144.297	Guinea-Bies Geguna	Gunanese Si	7407.50 186.65	4979.83 125.479	2948.26 74.2885	4482.6 112.35	Puerto Pico Cater	(No a)		36272	0.592 2.1474	0.900
Betressen	(Baharre S)	1.4875	1	0.592	0.9001							Residenta de la	E/Fo	8.4425	5.6756	3.3601	5.106
Batersin Balgoric in	(Sp Perett)	0.5680 191.95	0.3751	76.396	0.3376 116.157	Hosturas Hosturas	(Goude) (Lempira)	17.7780 9.1335	11.9515 6 1401	7.0750	18.7582 5.527	Homania	(1.00)	1053.88 216.95	708.491 145.849	419,455 86,3482	637.74
Sanciadesta	(Taka)	59,4925	39.9949	23.6786	36.0015	Hong Kong	drik Si	11.5110	6.1401 7.7384	3.6352 4.5814	6.9658	Records St. Cariclopher	(Fr) (F Carr S)	400	2 689	1.592	131.28 2.430
Bangladeşîn Barbadoe Belgîsee Delize	(Barb S) (Barb Fr)	2.9795 51,65	34,7226	1.1858 20.5572	1.803	Hungary	(Foring)	134.35	90.3183	53.4726	81.301	S) Helesia	(2)	1.00	6.6722	0.396	0,605
Bulliza	W 20	2.9630	1.9910	1,1793	31.2556 1.793	losiand	(leglande Krana)	97.39	65.4722	38,7621 18,5655 1245,99	58.0349	St Lucia St Pleme	(E Carr S)	4.90 8.4425	2,689 5 6756	1.592 3.3801	2.420 5.108
Bernia	(CFA Fr)	1.4875	283.782	168.01	255.446 0.9001 28.2275 3.8057 2.1549	indonesia	(Bunch)	46.8460 3133.05	31,3586 2186,25	1245 99	78.727S 1895.95	S) Vancent	E Car Si	4 00	2.689	1.592	2.430
Bermuda Bhulan	(Bampodan SI	48.9460 6.2030	31,3586	18.5655	28.2275	Iran	(Rupeh) (Ref) (raqi Dhar)	2475.0	1663.87	985.075	1497.73	San Marina Sao Tome	(Italian Lira)	2275.25 355.55	1529.58	905.572	1376.8 215.15
Sollyia Batawana	(Bullytone)	6.2690	4.2278	2.503	3.8057	tristi Reo	(Purit)	0.5836	0.399	0.2362	0.3592	Sant Arabia	(Dobra) (Riyal) (CFA Fr)	5.5755	3.7482	2.2191	3.373
Denzil	(Puto) (Cruzeiro) (Brunel S)	3,5610 74089.50	2.3839 49794.6	1.4173 29480.4	44822.7	Israel	Chekeb	4.1530 2275.25	2.7910 1529.58	0.4095 1.6529	2.5131	Senegal Saychellos	(CFA Fr)	422,125 7.60	283,782 5.1092	168.01 3.0248	255.44 4.59
Brunoi	(Brunel S)	2.4425	1.842	0.9721	1.478	Daly .	(Lina)	2275.25	1529.58	905.572	1378.83	Seria Leone	(Leane)	814.60	547.765	324.299	493.07
Buigarin Burkino Faso	(CFA Fr)	39.55 472.125	26.5882 283.782	15.7412 168.01	23,9334	Jamaka	(Janualtan S)	32.95	22.1512	13.1144	19.9394	Singapore	(Signal)	2.4425 43.868c	1.642 28.4897	0.9721 17.4591	1.47 26.545
Burand	(Kyat) (Burandi Fr)	9.4750	6.3697 242.758	3.7711	5.7337 218.517	Japan Jerdae	(Yes) Liordenias Diner)	165.25 1.0250	111.092 0.689	65.7711 0.4079	100 205a.0	SUPARIE		42.45L 175.0620	28.5378	18.8955 69.6764	25,688
Barundi Cambodia	(Burandi Fr)	381.10 5185.25	3485.88	143,721	210.517						57.6732	Siovenia Solomos in	(Tolar)	175.0620 4.6285	117.689	1.8421	105.93 2.800
Cameroon	(CFA Fr)	422.125	283.782	168.01 0.7542	2137.82 255.448	Keeya	(Kenya Shillian) (Australian S)	95.3050 2.1785	64.0705 1.4645	37.9323 0.867	1.3183	Somali Rep	(Shilling)	3881.55	3.1115 2609.45	1544.9	2348
Conacts Canacy is	(CFA Fr) (Canadian S) (Sp Peecla)	1,8850 191,95	1.2739	0.7542 76.396	1.1467	Koree North Koree South	(Man)	3.1650 1199.70	2.1411 806.521	1.2676	1.9273 725.991	South Altica	(Fland)	4.8825c	3.2823	1.9432	2.954
Cp. Vente	(CA EXCHOL)	109.95	73.9159	43,7611	68.5355	Research South	(Russell Chear)	0.4475	0.3008	0.1781	0.2708	-	-	6.99150	4.7001	2.7826	4.230
Cayonen is Card.Atr. Rec	(CI \$) (CFA ft)	1.2595 422,125	0.8467 283.782	0.5012	0.7621	Lucs	diam etc.	1066.70	717.109	424.557	645 507	Spain Seassan Ports in	(Posein)	191.85	129.042	76.398	116,15
Chad	(CFA Fri)	422.125	263.762	168.01 168.01	255.448 255.448	Letanon	(Lebpasse E)	2611.50	1755.63	1039 4	1550.33	N Africa	(Sp Pesses) (Buper) (Diger)	191.95	129 042	76,398	110.15
Chad Chile Chile	(Chilean Peso)	595.10 8.6315	400.067 5.8026	236.856 3.4354	360.121 5.2232	Fiberje Tracogno	(Liberton S)	4.8825 1.4875	3.2823	0.592	2.9546 0.9001	Sri Lasici Sudan Rep	(Diggs)	71.05 19.2595	47.7847 12.9475	28.2786 7.6654	42.995 11.654
Colombia	(Col Post)	1165,40	783.482	463.841	705.234	Libya Lieckienstein	Albyan Dinan	0.44	0.2957	0.1751	0.2682	Sedram Seculard	(Guidder)	2.8445	1.7778	1 0525	1.600
CRS &	Flouble	0.8806a	0.5821 1102.88	0.3505 652.826	992,575	Lucembourg	(Swiss Fr)	2,2350 51,65	1 5025 34.7226	0.6895 20.5572	1.3524 31.2558	Sweden	(Litangent) (Krone)	4.8825 11.2375	3.2623 7.5546	1.9432 4.4726	2.954 6.800
Comme	APPA DA	1540.23m 422.125	283,782	168.01	255.446		Patacal	11.8385	7.9586			Switzerland	(Fr)	2.2350 31.8525	1.5025 21.4134	0.8595	1.353
Congo (Bra	(CFA Fr)	422,125	283,782	168.01	255.446	Macon Madagastar	eag Fri	2614.85	1092.34	4.7118 1120.34	7,1639 1703.39	Syria Talvana	(2)	38,475	25.8655	12 6776 15.3134	19.275
Congo (Bra Costa Nica Cole d'Ivoire	(Colors) (CFA Fr)	207,40 422,125	139,429 263,782	82.5472 168.01	125.507 255.448 2640.33	Madeira Makasi	(Port Escusio)	238.45	160.303	94.9054	144,297	Tenzania	Skilling	562.95 39.80	378.454	224 06	340,66
Crossis	(Cuban Pess)	4363.15	2933.21 0.7542	1735.58	2640.33	Malaysia Malaysia	(Flinggill)	5.4705 3.8480	4.3499 2.5868	2.5753 1.5315	3.9155 2.3265	Thaitand Toon Res	(CFA Fr)	39.80 422.125	26.7563 263.782	15.8407 168.01	24,084 255,44
Cobs Cypns	(Cuben Peop) (Cypros 2)	1.1220 0.7325	0.7542 0.4924	0.4465 0.2915	0.6789	Maiding is Mail Rep	(Rubja) (CFA Fr)	17.7410 422.125	11.9267 283.782	7.051 168.01	10,7358 255,448	Tonge is	(Pa Aoga)	2 1785	1.4645	0.867	1.316
Czech Rep.	(Cypros 2)	43.866c				Matte	(Maltero Lica)	0.5620	0.3778	0.2236	0.34	Trinidad/Tobago Zuniela	(Chinari	6.0740 1.5155	5.4276 1.5188	1.2135 0.6031	4,885 0.91
Cinin unit	parag	42.49	29.4897 28.5378	17.4501 16.8055	26.54\$Z 25.6883	Marinipse	Cotal Fri	8.4425	6.6756 113.345	3.3601 87.1044	5 1089 102 027	Turkey	(Lira)	15928.50	10708.9	6338.91	0.91 9637.50
Denmark	(Donish Kroner)	9.6125	6.4821	3.8256 103.781	5.8169	Mortius	(Ougulys) (Medcan Payan) (Medcan Payan)	25.6560	17.2477	10.2113	102.027 15.5255	Turks & Calcus Turks (A	(ÚS SÍ) El esalacion	1.4675 2.1785	1.4645	0.592 D 867	0.900
Djibouti Rep Dominica	(Camb S)	260 75 4.00	175.294 2.899	1.592	157.791 2.4205 11.8547	Mauritania Mauritus Mexico Monaco Monaco	(Local Pri	4 6275 8.4425	3.1109 5.6756	1.8417 3.3601	2.8003 5.1089		Shilling) (Dirham)	1774,75	1193,11	706.368	1073.90
Dominican Rep	(D Peso)_	19.2595	12.9475	7.6654		Moneco	(Francis Fr)	8.4425 \$92.60	5 6756 398.387	3.3601 235.861	5.1089 358.608	UA E	(Dirham)	5.4585 1.00	3.6896 0.6722	2.1725 0.398	3.3031 0.805
Ecuador	(Sucre)	2740.750 2827.45a	1842.52 1900.61	1090.85 1125.35	1658.55 1711 81	Mosgolia Monteerst	(Tugris) (F Carr S)	4.00	2,809 8,8223	235.861 1.562	2.4205	United Kingdom United States	(US \$1	1,4875	1	0.592	0.900
Frank	Securitor 57	4.97		1.9781		Morpcoo	(Dirivan) Oleticali	13.2720 5128.45	8.9223	1.592 5.2823 2041.17	8.0314		: Liruguayo) : Alabus	5.7780 180.00	3.8843 121 008	2.2997 71.6417	3 496
Egypt El Sabracion	(Egyption 1) (Color) (CFA Fr)	12.9830	3.3411 0.7347	5.1713	3.0075 7.8628	Mezambiqua	•				3103.45	Verugen Vatican	A Last	2275.25 132.60	1529.58	905.572	1376.8 80.24
Equat'i Guicee. Extonia	(CFA F1) (GDen)	422.125 19.7140	283.782 13.2531	168.01 7.6483 2.9176	255.446 11,9298	Hernitale Hautu is	(S A Rand)	4.8825 2.1785	3.2623 1.4545	1.9432 0.887	2.9546 1.3183	Venezuek Venezuek	(Dead)	132.60 15659.45	89.1428 10527.4	52.7761 6232.62	9476.2
Elisiepia –	(Estatoplan Birr)	7.3305	4,928		4.436	Neçal	(Australian S) (Nepalese Rupeer	69.0545	46 4231	27.4843	41.7878	Visgin in Acidsh	FUS \$	1,4875	1	0.592	0.9001
Faildend Jy Farne Is	(Felk E) (Decish Krimer)	9.6125	0.6722 6.4621	0.398 3.8258	0.6051 5.8169	Metherlands N'nd Antiles	(Guilder) (AfGuilder)	2.8175	1.8941	1.1213	1.7049 1.6048	Wright in-US	(US 5)	1,4675			
RII IS	(Fig S)	9.6125 2.2740	6.4621 1.5287 5.6441	0.905 3.3416	1.376	Riger Zealend	PIZ 59	2.6520 2.7390	1,8413	1.0555 1.0901	1.6574	Western Samon	(Tala)	3.79 24.4450	2.5478 16.4336	1.5084 9 7293	2.2934
Pinternal Control	(Marida)	6.39575 8.4425	5.6441 5.6756	3.3416 3.3601	5.0806 5.1069	Micereges	(Gold Contoba) (CFA Fr)	9.0790 422.125	6.1035 283.782	3.6135 168.01	5,494 265,446 25,1025	Yesser (Rep of	(Rial) (Diese) New Olese)	0.6680	0 449	0.2658	14,7927 D 4045 98617
Prance Fr. Cly/Alrica	(CFA Fr)	422.125	263.782	168.01	255,448	Higer Rep Higeria	(Natica)	41.4820	27,967	16.5102	25,1025	Yugosiznez (		1629650.0(1)	1095563	648617	986172
Fr. ChilAtrica Fr. Guiene Fr. Pacific Is	(CFP Fr)	8.4425 151.25	5.8756 101.681	3.3601 60.199	5.1089 01 5278	Horway	(Nor. Krone)	10.5975	7.1243	4.2179	6.413	Zaire Rep Zambia	(Zakret (Kwacha)	4306000.0 814.85	2886134 547.765	1714827 324,299	2606958 483.071
rr, racans na Babon	(CFA Fr)	422.125	283.782	168.01	255.446	Oman	(Akal Ocean)	0.5705	0.3835	0.227	0.3452	Zimbab-e	A	9.7210	6.5351	3.869	5.8826
	14			_													



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# European zinc producers plan co-ordinated cuts

Mining Correspondent

DESPERATE EUROPEAN zinc producers are hoping to implement a co-ordinated industry scheme where one or two of them will permanently close smelting capacity and the rest of the EC industry will provide

cash to cover the closure costs. At present 18 European zinc smelters, one third of the wurld total, chase the same raw materials and the same customers. Analysts have been suggesting for months that the long-term outlook for them is grim and that some will have

to close.

The industry apparently agrees with this prognosis and a dossier about the so-called voluntary closure scheme is being prepared for the European Commission, which must give its approval. The commission is expected to give the go-ahead because It approved a similar scheme for the European zinc industry in the early 1980s. There were long discussions then, and also in the mtd-1980s, during which potential closure candidates were identified by the industry. But market conditions improved and the scheme was quietly alluwed to lapse.

Industry executives said yesterday that a dossier for the commission should be ready as soun as the European summer holidays were over. There would then be industry discussions about which smelters should close and how much per tonne of annual output the rest of the industry should pay

1980s smelters in Germany, southern Italy, Spain and the UK were on the short list for

Zinc's anti-corrosion properties are used mainly for galvanised steel for the automotive and construction industries. Pressure is building up on producers because prices are near their all-time lows and demand is weak, particularly in Europe where recession in Germany is biting hard.

One observer made it clear, however, that the industry was not unanimous. "Is this the right way to stimulate rationalisation of the European industry? Would not that rationalisation happen anywey?" he asked

Mr David Humphreys, econo-

mist at the RTZ Corporation, the world's biggest mining group, said recently that European zinc smelters, which mainly buy in their raw materials and have no associated mines of their own, would suf-fer because of both the quantity and the quality of zinc concentrate (an intermediate material) likely to be available in the second half of the 1990s. He said there were already indications that e combination of very low prices for zinc metal and very high treatment charges for concentrates would lead to cuts in mine production and investment so severe as to leave the market short of concentrates in the latter part of

the decade. A number of mines would be exhausted in the 1990s and

if they did shut down. In the zinc mining project at present fully committed: MIM's \$200m McArthur River project in the Northern Territory of Austra-

> As for the quality of the concentrate, Mr Humphreys pointed out that two of the three new smelters being planned would use the so-called Imperial Smelting Process and a substantial part of the proposed increase in mine capacity was for bulk (mixed lead-zinc) concentrates usable only et ISP plants. Potentially this added to pressures on non-integrated electrolytic zinc plants which required clean zinc concen-trates. "This, together with falling domestic mine production, would point to further problems for Europe's custom

smelters." Mr Humphreys added: "More zinc smelter production cuts are urgently needed. Exchange rates and the condition of the domestic market suggest that cuts will need to be in Europe"

The Metals & Minerals Research Services consultancy group was also pessimistic about the zinc industry's future in a recent report "Zinc's structural surplus: Temporary or long-term blight?" It suggested production capecity would remain well above demand until at least the end of 1996 and that zinc prices would be weak compared with those of the medium-term past - even when present huge stocks of concentrate and metal had been sub-

starts at grassroots. In Dareda it has been established that the small herds of goats owned hy most families

years of age.

children.

duced this lady to me last week

described her as e "mover and

shaker" and influential in per-

suading her neighbours to

adopt new farming ideas. For

women, I was told, were the

real farmers in this part of

Africa. The men tend to sit

around most of the time dis-

cussing great issues and drink-

ing locally distilled gin. Their

wives till the soil, plant and

harvest the crops and milk the

goats, as well as cooking meals

and rearing e large brood of

That is why Farm Africa, a

British-based charity is target-ing women in this densely pop-

ulated area. If they can per-

suade them to adopt more

efficient methods of food pro-

duction, the charity reasons,

their activities will have the

greatest overall effect on the

well-being of children and the

The methods used by Farm Africa are basic. Firstly it tries

to establish what the women

themselves need, which sounds

obvious but is radically differ-

ent from the approach of some

other aid agencies. Many major

charities have the reputation

of imposing on poor communi-

ties massive "improvement"

schemes that may be alien to

local culture and therefore des-

tined for failure. Farm Africa

whole community.

# Giving African farm aid a feminine touch In Tanzania the women till the soil while the men concentrate on weightier matters

AMA FLORA Yrafay is one of the leaders FARMER'S VIEWPOINT of her community. She lives in a mud hut in the village of Dareda in the district of Babati in Tanzania. Her age, I estimate, is about 25 and she has five children under seven The aid worker who intro-

By David Richardson

are not only grossly inefficient for both milk and meat production but, as they roam the village, usually tended by chil-dren, are also denuding the area of vegetation and trees. Goats are widely recognised as destructive animals because of their indiscriminate grazing habits.

Farm Africa is therefore recommending to the women that they erect small buts for their goats and keep them confined all the time. The feed is then cut and carried to them by a system called, in more advanced agricultural societies zero grazing.

The paradox is that animal welfarists in the west condemn such systems for limiting the movement of the animals. In Tanzania, however, the priorities are different and damage to the environment leading to lack of food for the future together with associated erosion of the soil are seen as the most important considerations.

Alongside this changed system of goat keeping Farm Africa has introduced Britishbred female goats which give five to six pints of milk a day. three to four times as much as the native nannies. This is a quantum leap in production and although the number of

British Toggenbergs in Dareda is so far only about 30 females and one male the effect on those who have them has been dramatic.

Children are better nourished by the larger quantities of rich milk and the superior goats give the families a feeling of greater wealth But Farm Africa is anxious to spread these benefits as widely as possible and insist that after one lactation each Toggenberg female is passed on to another family leaving the first owner with the young goat it has just produced.

n addition the billy goat is made available for a fee of about £2 to mate with the local village females. A service fee for goats was unheard of until Farm Africa arrived but such is the perceived improvement in potential production from the cross breeding that the billy is kept very busy.

The initiative also advocates a programme of tree planting and has developed a simple but more efficient stove for cooking. In the past this has been done on open fires, which burn a great deal of wood. This too has led to the cutting of large areas of trees and there has previously been little attempt to replant. All over Tanzania the heavy downfalls of the rainy season has gouged great channels through the unprotected red soils and washed the

aluvium down the rivers. So the combination of the fuel-efficient clay stoves, moulded and made by women like Mama Flora Yrafay and sold to others for a little over £1 each and the tree planting programme will in time help to

control the erosian Another aspect of Farm Africa's initiative is to encourage farmers, in other words the women of the community, to use oxen to relieve some of their burdens. At present most land work and water carrying is done by hand or head and on foot. Tractors are far too expensive and hi-tech, so oxen

are the appropriate compro-Groups of co-operating women are being encouraged to take out interest-free loans from Farm Africa with which to purchase two or four oxen together with basic equipment like e plough, a weeder and a

All these improvements are also being disseminated through the local governmentemployed extension service one man who, lacking any other means of transport, has to walk from farm to farm over a vast area - and through the schools.

As would be expected in a country where it is normal for families to have between five and ten children the schools are teeming with pupils. But they too have few resources and it is not unusual to find a ratio of one teacher to 90 or a 100 children.

The schools do, however, usually have a few acres of land - as food production is the most crucial subject children can study. Time spent at this level, says Farm Africa, is a vital investment in the

But the scale of the problem of rural poverty in Tanzania is immense. Of its 23m people it is estimated that 90 per cent are involved in agriculture usually at subsistence level or worse. The population of the country is increasing at about 3 per cent each year and 50 per

cent of Tanzanians are under 14 years of age.

The socialist government. which has owned all the land since nationalisation in 1974 hut is just beginning a modest programme of privatisation, claims there is plenty of land for the next generation. But there certainly is not enough in districts such as Babati and

villages like Dareda. Each family has just 2 acres allocated by the government and to split these tiny holdings among the next generation would make subsistence for a family impossible. The answer, says the Tanzanian government, is to relocate to other areas of the country where the population is less dense.

But the reasons so many are concentrated around Dareda is because it is a good farming area with relatively reliable rainfall. Conversely, the reason other areas are under-populated is because the land is poor and the rain unreliable. Clearly population control is

an urgent priority. But the culture of the people is such that large families are seen as secu-rity for old age and there appears little inclination to tackle such a delicate subject. My farmers' assessment of

the food supply situation in Tanzania is that it is a disaster waiting to happen. Poverty hreeds population and wealth is denied to all but those who exploit the system. Corruption is admitted to be rife at all levels of government and busi-

Given the size of the problem Farm Africa's efforts seem puny, But at least it is starting at the right level and the tiny area in which it operates is already beginning to benefit from its efforts.

Heavy

nade

福州 化二八多 海豚鄉

# Polish copper combine lifts output

By Christopher Bobinski

POLANU'S KGHM state-owned copper producer has repurted a Zl 1,415bn (US\$81m) net profit for 1992 as autput in the first five months of this year is runming 3.4 per cent higher than in the same period last year.

The combine's final results yesterday put KGHM's sales in 1992 at Zl 17,361hn while costs reached Zl 13,639bn. Last year the combine, sited in western Poland, produced 387,000 tunnes of copper and 914 tonnes of silver.

reach 171,000 tonnes, 3.4 per cent more than last year, when six week strike. In 1991. are resisting an attempt to sell a minority stake to foreign investors, reported a 21 900bn

### Pressure builds up in aluminium market

By Kenneth Gooding

IT IS ONLY a matter of time before the aluminium market succumbs to renewed downward pressure on prices, suggests Billiton-Enthoven Metals. part of the Royal Dutch/Shell

"Demand remains poor, stocks continue to accumulate and still producers are demonstrating a strong reluctance to respond to calls for further last year. hefty cuts in production," says

many. This follows the closure of a first pot line in March of

The first five months of this year have seen copper output at the present exchange rates.

research manager.
Outlining in Billiton's latest weekly Metals Report those aluminium production cuts already announced, Mr Mac-Millan points out that the only recent addition to the total has heen the closure of a second 45,000-tonnes-a-year pot line at Alusulsse's smelter in Ger-Instead it is to cut its workforce hy about one third

it rose by 2.3 per cent despite a KGHM, where the trade unions net profit, equivalent US\$82m

Mr Angus MacMillan, Billiton's Aluminium in the US has restarted 17,000 tonnes of annual capacity at its Golden-dale smelter, citing cash flow problems, and Spain's Inespal, after long talks with the unions decided not to cut production or close either its Aviles or La Coruna smelters. Such moves could have resulted in the loss of about 73,000 tonnes of capacity.

COCOA ~ London FOX

Priviou

706

782 798 819

Turnover: 9724 (15566) lots of 10 turnes

Close Previous High/Low 105.3

104.0

105.0

Turnover:2 (141)lots of 3,250 kg

High-Lan

721 704 730 715

739 775

775 767

786 780 613 796

B26 617

Delegates optimistic on timber pact By Frances Williams in Geneva

NEGOTIATIONS ON a new International Tropical Timber Agreement resumed in Geneva yesterday, with both producing and consuming countries expressing optimism for progress in the week-long talks.

The first session of talks in April cuded in stalemate over producer demands for temperate and boreal, as well as tropical timber, to be included in the new agreement. Producing countries, the biggest being Majaysia, Indonesia, Ivory Coast, Papua New Guinea and Brazil, say the present accord is discriminatory.

The 1983 International Tropical Timber Agreement, which came into force in 1985 and in Kuala Lumpur last month. of tropical timber with envi- which they hope will allay unlikely this time.

C.crae

ronmental needs through co-operation, consultation and research. It has no price-setting mechanisms.

Consumers have pressed for stronger environmental provisions, including a clear commitment to ensuring that by the year 2000 all tropical timber exports come from sustainably managed forests. Producers do not want this target to be legally hinding and say similar commitments should be imposed on all internationally

traded timber. Consumer countries continue to oppose the inclusion of temperate and boreal timber in any agreement.

At a meeting of the International Tropical Timber Council

producer concerns. In particular, consumers

new agreement that would bur discrimination against experts of tropical timber as such and ensure the accord could not be used to justify trade carbs. Consumers have also offered

able forest management for temperate timber and increased funds for projects in tropical producing countries to promote sustainable management and increased market transparency.

The negotiations, sponsored by the United Nations Conference on Trade and Development. involve same 50 countries accounting for virtually the whole \$7.5km a year trade expires in March next year, however, they proposed three in tropical timber. Unctad offiaims to halance economic use points for discussion in Geneva cials say that a fixal deal is

(Prices supplied by Amalgariated Matel Trading

AM Official Kerb base Open Imerest

### Bad weather may reduce Russian grain harvest

may fall below last year's because bad weather delayed sering sowing in some regions. government officials said. reports Renter from Moscow,

The sowing is almost-finto examine a shift to sustain. I isked. But in some regions in Siberia and eastern Russia it is behind schedule because of rains and cold weather," said Mr Vladimir Kotov, aide to Mr Vladimir Shcherbak, the first deputy agriculture minister.

"Due to bad weather, it's possible that the grain harvest in 1993 may be slightly below 1992 levels," he said. "Early autumn rains may cause damage in some areas but it's too early to

Russia harvested 106.8m tonnes of grain in 1992, when imports were 26m tonnes, with 421m tonnes in 1992.

have suggested language in the : RUSSIA'S 1993 grain harvest Imports in 1993 were forecast sharply lower at 16m tonnes by Mr Alexander Zaveryukha, deputy prime minister in charge of agriculture, last

> Mr Kotov said it was too early to forecast this year's yield. There was an acute shortage of fertilisers, he added, but Russia had enough diesel and aviation fuel fur crop-spraying aircraft.

Mr Kotov dismissed reports . that up to five million hectares of farmland could be damaged by the worst locust invasion in five decades. "Locusts are not a threat this year." he said. "We are not concerned."

He estimated the winter grain harvest this year at about 40m tonnes, compared

### **WORLD COMMODITIES PRICES**

Close

### **MARKET REPORT** London COCOA prices continued

last week's rally as the September contract climbed towards £750 a tonne. New York's higher opening provoked a spurt of buying interest in London in the afternoon, but traders attribute the recent break-out mainly to technical factors. London robusta COFFEE prices lost further ground in the afternoon as the market drifted back in line with New York, Earlier hopes that prices might attempt to edge higher faded quickly as New York opened lower. Both markets continued to disregard talk of retention schemes among Latin American producers. "How

### **London Markets**

SPOT MARKETS

Crude oil (por barrel FOB)(Ju	<u>^</u>	+ 01 -
Dubal	S15 38-5.40z	+0.12
Brent Blend (daled)	S17.19-7.21	+0.10
Brent Blend (Aug)	\$17.55-7.57	+0.11
W.f.i  1 pm est)	S18.97-8.99z	+0.105
OR products PAVE prompt delivery per to	owne CIF	+ 0+ -
Premium Casoline	\$200-202	-1
CLIS CH	\$164-165	40.5
Heavy Fuel Oil	\$58-60	
Magaintha	\$172-174	
Petroleum Argus Estimates		
Ottier		+ 01 -
Gold (per troy oz)\$	\$369.50	-2.75
Siver (per truy oz)#	429.5c	-10.0
Flatinum (per troy oz)	\$378 35	-0.85
Publish (per tray as)	S126.0	+0.10
Copper (US Produced	89. <sub>0</sub>	+0.5
LANG (US Produced)	34.63c	
Tin (kuda Lumpur market)	12,93r	
Tin (New York)	239.5c	
Zin: (US Prane Western)	62.0c	
Cuttle (line weight)	141.39p	-2.51"
Plittless seel deep!	115.15p	+4.31"
Figs (five weight):	88,10p	+0,71°
London daily swith (raw)	\$267.6	-9.7
Lorestun dully sugar (while)	\$276,8	-3.2
late and Lyle export price	C292.5	-3.5
Barley (English feed)	Ung	
Make (US No. 3 yelicm)	£168.5t	
Wheat (US Dark Northern)	£141.00	-0.5
Rubber (Jul)♥	58.50p	
Pubber (Aug)♥	56.75p	
Rubber (KL RSS No 1 Jul)	207.5m	1.0
Cocurut of (Philippines)()	\$427.5v	+2.5
Polin Cil (Mulays-ani)	\$355.0y	+2.5
Cora (Philippenes)§	\$280.0	+2.0
Soyabeams (I/S)	£184.0u	+3.5
Cotton "A" index	58.15c	-0.10
Munimps (64s Super)	362p	-0.10 +S
understa lives archard		

before? Anything that starts from outside an International coffee agreement never takes off," one trader said. On the LME three-month COPPER was unable to hold above \$1,900 a tonne after advancing in early trading. But dealers said e further ettempt is likely today. Three-month ALUMINIUM was unable to reach the \$1,215 e tonne target, easing from its highs on the kerb with copper, but remaining technically

many times have we heard this

On the other hand, Columbia between 1994 and 1997.

ıstı	ructive.	COLD	futures were	COFFE		\$/tonne		
		session	lows at midday		Close	Previous	High/Low	
	mex.	<b></b>		Jul	898	912	910 898	
,Ol	ubnea	from Re	euters	Sep	917	930	928 915	
-				Nov	921	835	858 850	
AR	– Lendo	R FOX	(S per tonne)	Jan	922	934	934 920	
bo	Close	Previous	High/Low			160) lots of	S tonnes per pound) 1	or Jun 18
	275.00	281.60	282.00 275.00	Comp.	daily 66.6	8 (56.65) 1	5 day avera	ge 54.41
	266.00	275.00	275.00 266.00	(54.41)				
	272.50	270.50	274.00 272.50					
	267.00	276.00	275,20 267.00	POTAT	OES - Lo	nden FOX		£/tonne
	276.50	278.50	278.50					013-10
	273.00		274.50 273.00		Closes	Previous	High/Low	
<u> </u>	101 (21/28)	Day was	to Office and towards	Apr	80.5	89.7	89.0 84.0	
	5.44 Oct		te (PFr per tonne):	Turnove	r 17S (77)	lots of 20	tonnes.	
26	OIL - 191		\$/banel	SOYAN	SEAL - La	nder FOX		£/tonne
_	والما	st Previo	us High/Low		Clase	Previous	High/Low	
-				Oct	152.00	150.50		
	17.50		17.69 17.50	Dec	154.00	153.00		
	17.73		17.88 17.73					
	18.00		18.05 17.97	Tumova	- (20) lo	ts of 20 for	nes.	
	18.14		18.14 18.11					
e	× 17.5%	2 17.63	17.52 17.52	FINE	tT - Lond	les POX	\$10/10	dex point
r	13958 (2	5248)			Close	Previous	High/Low	<u> </u>
				Jun	1490	1483	1490 1485	
ť	IPE		\$/tonne	Jul	1370	1353	1370 1355	
_				Aug	1365	1339	1365 1355	
	Close	Previous	High/Low	Oct	1425	1416	1425	
-				Jan BRI	1451	4500	1451 1450	
	163.25	163.00	164,25 163.00	B7	1518	1522	1618	
	165.50	165.25	166,00 165.25	Turnove	317 (90)			
	167.50	167.25	168,25 167,80					
	171.25	171.00	171.50 171.00	OPATO	t – Londo			
	173.25	173.50	174.00 173.25	Chipmen	- 1.01100			£/tonne
	176.00	175.75	176.25 175.75	Wheat	Close	Previous	High/Low	
	177 <i>.2</i> 5	177.25	177.25	Jun	133.75	134.50	134.50	
	7810 (85	94) lots of 1	100 tornes	Nov	108.25	108,15	108.35 108	25
	,	. ,		Jan	111.30		111.30	
-				Mar	113.25	113,1S	113.35	
				Berley	Close	Previous	High/Low	
	d good g a' Assock	eneral dem Stan. Reserv	end,report the Tee liquoring East Afri-	Nov	107.50	107.40	107.50	
Ù	es remak	ned fully fa	m. Mediums were	_	r. Wheet 5	3 (52), Bark		<del></del> :
d	escriptions	s met lees	ended easier. Plai- enquiry at easier ad with Ceylons a			00 Tomes.	-, - t <del>-</del>	
1	esture. B	righteet feas	were dearer: oth-	P105 -	London F	·ox	Cash Settlem	enti p/kg

Aluminium	99.7%	purity (	S per to	mne)				Tetal o	2. 1	wer 44,562 lots
Cash	1184.5			5-2.5	1182	_	1182-2.5	-		
3 months	1208-9			5-5.0	1214/120	13	1204.5-5.0	1205-6	1	99,542 705
Copper, G	ade A (E	per to	ana)					Total o	tally turno	ver 52,990 kets
Cash	1259-66	0	1237	-8	1276	_	1275.5-6.0			
3 months	1273-3		1248	-6.5	1289.5/12	273	1257.5-8.0	1274-5	2	16,571 icts
Lead (C per	tonne)							Total	CAN'Y BUTTO	Wer 1,114 tots
Cash	264-5		263.5	4.5	265		265-5,25			
3 months	273.5-4	.5	273-4	<u></u>	275.5/27	3,5	<u> 274.5-4.75</u>	273-3.5		3,682 icts
Nickel (\$ p	ar tomno)							Total	daily turn	over 5482 icts
Cash	5590-5		5555	-65			5575-85			
J months	5655-6	0	5620	-30	5680/564		5640-45	5650-6		0,692 kts
Tin (S per b	onne)							Total	daily turns	over 2,074 lcts
Cash	5128-3		5175	-85			5160-70 5225-30			991 lots
3 months	5185-90		5235		5270/518		3023-00	5175-8		
Zinc, Spec		Grade						10129 0	ary rumo	er 12,292 lots
Cash 3 months	942-3 960-1		931-2		938		938-8.5 957-7.5	956-8	e	9.952 tots
LME Close	***	-	340-		202 000		001-1-0			OVER THE
SPOT: 1.49	90 80 62 4	TWG	3 mon	ths: 1.46	964	6	months: 1,	3180	9 0	nonths: 1.4716
		_	•							
LOWDON										
Prices sup						N	ew Y	OTK		
				<u> </u>						
Gold (tray o				C admixe	sent	GOL	D 100 boy	oz.; S/troy o	z	
Close Opening		25-369, 75-370.					Close	Previous	High/Lo	<del></del>
Morning for				249.241		Jun	370.0	371.3	371.1	370.3
Afternoon II	x 370.8	55		249.394		Jul	370.3	371.7	0	0
Day's high	371.3	0-371.	70			Aug Oct	371,1 372.9	372.5 374.3	372.7 374.1	370.0 372.0
Day's low		10-309.				Dec	374.5	375.9	375.9	373.1
Loco Ldn	Mean Go	Md Lax	iding R	pater (A	s US\$	Feb	376.1	377.5	377.5	375.A
1 month		.39	6 mor		2.45	Apir Jun	377,7 379.3	379.1 380.7	377.0	377.3 0
2 months 3 months		.40	12 mc	onths	2.50	Aug	381,0	352.A	381.1	381.1
						PLA	TINUM 50	troy oz, \$/tro	y oz.	
Silver fix	D/po			JS cts	quiv		Close	Previous	High/Lot	
Spot 3 months	288.4			129.00		Jul	378.6	379.8	382.0	378.5
6 months	297.4			432.30 435.75		Oct	377.8	379.0	380.5	378.0
12 months	305.3	10		43.65		Jan	37B.1	379.7	390.5	380.5 381.0
						Apr	378.S	380.2	381.0	361.0
GOLD COL	NS					SILV		oy oz cente		
	5;	wice		viupe 3	alent	_	Close	Previous	High/Lo	<u> </u>
Krugerrand	366	2.00-37	2 M	248.00		Jun	426.1	428.4	431.0	429,0
Maple leaf	380	.15-38		2-02-0-	201.00	Jul Aug	428.5 430.1	428.8 430.4	433.5 433.0	427.0 433.0
New Soven	kgn 67.	00-90.0	00	58.00-8	1.00	Sep	431.7	432.0	436.5	430.0
						Dec	436.4 437.0	435.7	441.5 0	434.5 0
TRADED (	PTIONS	<b>.</b>				Jan Mar	440.9	441.2	445.5	441.0
Alumbian	(99.7%)		als		Puts.	May	444.3	444.6	0	0
Strike price	\$ tonne	Aug	Oct	Atig	Oct	Jul Sap	447,A 450.B	447.7 451.1	449.0	449.0 ·
1175		43	65	20	27					
1200		30	81	31	38	HG		OPPER 25,0		
1225		19	39_	48	51		Close	Previous	High/Lov	
Copper (Gr	ide A)		ialla		Puts	Jun Jul	84.40	83.90 84.05	84.50 84.95	84.10 83.75
1800		101	129	26	51	Aug	84.65	84.30	0	0
1850		70	100	44	72	Sep	B4.90	84.55	85.45	84.25
1900		48	77	70	97	Oct	85.00 65.15	84.70 84.85	Đ	D 0
						Dec	85,30	85.05	85.95	84.65
Coffee		<b>56</b> p	MOA	Sep	Nov	Jan	85.40	85.20	0	0
850		80	97	13	26	Feb Mar	85.55 85.70	85.35 85.65	0 96.80	0 85.30
800		48	67	31	48					
950		27	45	60	75	CRU	<u> </u>	hq 42,000 U	S gaits \$40	COT OF
Cocce		8 <b>6</b> p	Dec	Sep	Dec		Lategt	Previous.	High/Low	
700		41	61	16	31	Jud	16.63	18.67	18.91	18.63
725		27	47	27	42	Aug	18.92	18.97	19.18	18.92
750		15	37	43	57	Sep Oct	19.19 1 <b>9.4</b> 3	7 <u>9.24</u> 19.43	19.40 19.57	19.19 19.43
						Nev	19.55	19.55	19.68	19.54
Brenk Crud	•	Aug	Dec	Aug	Dec	Dec	19.86	19.85	18.77	19.80
1800		10 '	<del>.</del> -	45		Jan Feb	19.72 19.80	19.73 16.78	19.84 19.88	19,72 18,80
1850		1	• •	•	-	Mar	15.80	19.78 19.81	19.62	19.80
1900			-	-	•	Apr	19.80	19.83	0	0

HEAT	ing or.	و کنا تعدی	ZS, Derz	US cars	_ Ci	hicaç	30		
	Lates	Previous	Henle	W_			,000 bu met;	Contra/ROID by	rchal
:4	£:.55	52.20	52.65	\$1.95		Cose	Previous	High/Low	
-	52.65	52.83	53.30	52.65	<del></del>				
(40) (41)	51.75	53.78 54.88	54.25 55.30	\$3.75 54,90	Jul Aug	820/4 621/2	605/2 605/4	62470	608/0
·	56.00	55.95	56.40	56.00	Sep	622/2	605/4	627.D 627.D	608.4 611/4
)ec	57.00	56.93	57.40	57.00	Nov	621/4	606/0	627/0	S11.0
37	57.60	57.53	57.90	57.60	Jan	620/4	S11/6	632/0	S1774
Fee:	57.60	57.40	57.90	57.60	Mar	632/B	617/4	636/0	624/4
Car	56.55	56.33	56.75	56.55	May	633/2 634/0	622/0	637/0	629.0
<b>~</b>	55.50	55.13	55.65	55.50				638/0	632.4
:000	A 10 ton	as.\$/lome			\$07/	Close	60,000 lbs;		
	Close	Previous	High/Lo		- 74	22.12	Previous	High/Low	
ul	904	907	920	901	Aug	22.33	21,44 21,56	22.43 22.58	21.65 21.81
ieo	933	928	942	921	Sep	22.41	21.70	22.70	21.95
Dec .	865	960	970	954	Oct	22.53	21.51	22.81	22.20
Var	992	995	998	983	Dec	22.74	22.02	23.02	22.32
day	1015	1018	1016	1008	Jan Mar	22.85 23.07	22.15	23.10	22.72
<b>u</b>	1037	1040	1038	1035	May	23.30	22.34 22.53	23.29	22.62
eb eb	1061 1092	1084 1095	1058	1050				23.53	22.85
Acc.	1117	1120	1090 1109	1080 1104	SOY	MEYN WE	AL 100 tons;	\$/ton	
Azy	1142	0	1139	1125		Close	Previous	High/Low	
<u> </u>		,500fbs; cer			- <del>Ju</del>	195.0	190.0	195.5	191.5
					_ Aug	194.8	190.1	195.5	191.2
	Close	Previous	High/Lov	•	Sep - Oct	195.2	190.4	195.8	191.2
u	60.30	61,45	62.15	60.00	Dec	195.3 196.6	190.3 191.7	196.0	191,5
ер	62.35	63.45	64.00	81,80	Jan	197.1	191.7	197.7 197.2	192.7
lec	65.05	66.20	68.90	64.70	Mar	197.1	192.1	198.0	193,0 194,5
lar	\$7.10	66.65	89.10	67.10	May	198.2	193.3	198.2	195.0
lay .	68.75	70.35	70.00	89.20	MAZ	E 5,000 bu	ITEX; cents/5(	th bushel	
ut ep	70,40 72,00	72.10 73.50	0 73.00	0 73.00		Close			
_							Previous	High/Low	
MEN	WORLD	<b>~11</b> 112,0	UO IDSC CON	te/lbs	Jul Sep	218/0	216/2	221/8	216/5
	Close	Previous	High/Low		Dec	233/0	223/G 231/6	229/0	553/5
_	9.67		<u> </u>		- Mer	240/4	239/0	238/0 244/2	231/S
ul let	10.09	10.05 10.52	10.08 10.56	9,62	May	246/0	243/6	249/4	239/D 244/4
	10.01	10.47	10.47	10.00 10.00	Jul	250/0	247/4	252/0	248/4
Lay .	9.98	10.40	10.41	8.86	Sep	246/2 245/8	243/4	246/4	245/4
4	9.85	10.23	10.25	9.84	_		244/6	248/0	244/6
ct	9.70	10.02	10.25	9.70	- <del>'112</del>		iner; cents/6	Oib-bushel	
UITO		cents/fbs			- 14	280/0	Previous	High/Law	
	Close	Previous	High/Low		Sep	286/4	284/2	290/0	279/0
ď	58.20	58.31	58.60	57.73	Dac	298/2	295/8	295/4 305/4	285:0
ct	57,50	57.92	58.18	57.30	Mar	306/0	302/6	311/0	298/4
ec	56.80	57.32	57,55	56.80	May	30770	302/4	312/0	303/0 307/0
2y	57.80 58.48	58.35 58.93	58.25	57.80	- Jul	306/6	302/2	307/2	303/4
27	59.23	58.93 59.84	58.90 59.59	58.59	TIME	ATTLE 40	.000 fos; cent	s/los	
zł z	68.90	59.72	0	59.30 0		Close	Previous	High/Low	
IC .	60.20	60.1S	60.20	50.00	Jun	76.400	78.725		
RANG	E MICE	15,000 lbs;	Conts/for		- Aug	74,450	74.750	76.775 74.776	76.350
	Close				Oct	74.675	74.675	74.775 74.875	74,350
		Previous	High/Low		Dec Feb	75.225 74.000	75.126	75.375	74.575 75.150
1	115.20	115.00	116.00	113,70	Apr	74,925 75,900	74.825	75.075	75.150 74.925
<b>p</b>	118.50	118.35	119.50	117,20	Jun	72.850	75.825 72.800	78.075	75.900
N n	121,15 1 <b>22.6</b> 0	121.00	122.00	120.30	LIVE			73.075	72.850
n Pr	123.80	122.25 123.25	123.00	121.00		O''' CO	00 lb; centa/b	8	
- y	124,95	124.95	,124.00 123.00	123,50		Close	Previous	High/Low	
Ú	124.95	124,95	123,00	123.00	Jun	52.775	52.250		
p	124.85	124.95	ŏ	0	Jul	48,700	48.375	52.850	52.250
N	124,95	124,95	ö	ŏ	Aug	46,126	45.800	48.850 46.200	48.400
			•	•	Oct Dec	40,775	40.875	46.200 41.050	45.800
MOK	- T-				Feb	41.150	41.075	41.425	40.525
				1	Apr	41.300 40.550	41.300	41.750	40,800
-90		e:Septembe			Jun	46.150	40.500	41.200	41,300 40,550
REJI	Jun.21	Jun.1S	गागांग अपूर		_		46.150	44	46.150
REJ.		1665.0	1681,4	1597.0	- CHILL		0,000 ibs; ca	rts/lb	
REJ1	1674.3					Clase	Previous	High/Low	
=			31 1974 - 1	ODA :				- ~- ~ LDW	
=	JONES (	Base: Dec. (			Jul	34.85Q	34 704		
DOW	JONES (	Base: Dec. 3 Jun.17	math ago	Yr ago	Δug	33.875	34.725 33.925	35,600	34,450
DOW	JONES (	Base: Dec. ( Jun.17 120.17	mnth ago 120,67	Ут адо 119.46	Aug Feb	33.875 39.950	33.925	35,600 34,725	33,450
DOW Set	JONES (	Base: Dec. 3 Jun.17	math ago	Yr ago	Aug Feb Mar	33.875 39.950 39.225	34.725 33.325 39.850 39.025	35,600 34,725 40,350	33,450 39,775
DOW	JONES (	Base: Dec. ( Jun.17 120.17	mnth ago 120,67	Ут адо 119.46	Aug Feb	33.875 39.950	33.925 39.850	35,600 34,725	33,450

THE UK SERIES

### **LONDON STOCK EXCHANGE**

# FT-SE 100 Index closes above 2,900

By Terry Byland, UK Stock Market Editor

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THE UK equity market yesterday regained the Footsie 2,900 territory last seen more than three months ago, helped by strength in dollar earning stocks and a good lead from stock index futures. Base rate hopes remained high following Interest rate cuts in Europe and optimism appeared undimmed by unfavourable money

supply figures from Germany. The closing reading on the FT-SE 100 index of 2,903.4, the best of the day and a net gain of 24 points, was the highest since March 16. The driving force came from the futures market, where the September contract on the Footsie, in its first effective day's trading as market leader, climbed to a premium of 30 points to the underlying cash market.

This sparked successive bursts of basket trading as leading sccurities houses ployed between casb and futures - selling futures contracts and buying the blue chip equities.

With a strong US dollar also encouraging buyers across much of the Footsle range, the index soon reversed an early loss and broke through the 2,900 barrier at mid-morning. Equities were also helped by

The market's progress on the

first day of the new trading account was by no means unbroken, however, and it took a fresh spur from stock index futures to push the Footsle to the best level. The stress on basket trading left the second line issues relatively neglected, although the FT-SE Mid 250 Index edged up by 2.7 points to a new peak of 3,218.5.

a further set of good economic

data on the economy as the UK trade deficit with non-EC countrics came out smaller than expected. Even the setbacks in Japanese and US equities failed to upset London; Nick Knight, the chullent guru at Nomura in London, advised clients to "switch Japan into

There was no immediate Market strategists pointed to reaction to the latest Gallup survey of UK consumer confi-

TRADING VOLUME IN MAJOR STOCKS

the UK".

dence conducted on behalf of the European Commission, which suggested that optimism over the economy may have "come to an abrupt end".

London market analysts were impressed by the French decision to cut intervention rates "without waiting for o nod from the Bundesbank" and some believed that wideranging changes in the ERM

figures, together with last week's statistics on UK unemployment and inflation, have strengthened hopes that economic recovery has truly taken hold, some analysts continued to show concern over the high ratings of the UK stock

market. "Equities are still trying to have their cake and eat it," observed Mr Roh Buckland at NatWest Securities.

Scaq volume of 570.4m shares compared with Friday's total of 712.5m, worth £1.43bn In retail activity. Non-Footsie business made up around 63 per cent of yesterday's total, with trading boosted by at least one trading programme in the second half of the session.

Among the features of the day were the final dealings in the rights issue from Zeneca, in a pharmaceutlcals sector gaining little benefit from the dealings in Northern Ireland Electricity established the expected premium.

<b>Account Dealing Dates</b>								
Trut Dealings: Jun 7	Jun 21	Jul 5						
Option Beclaration 17	JA 1	15 لىد						
Last Dealings: Jun 18	Jul 2	16 استر						
Account Day: Jun 28	A4 12	JJ 26						

### strength in long-dated govern-Heavy acquire sufficiently bigh profits from music and rentals. FT-A All-Share Index weightings in NIE, decided to The market ultimately take the befty premium offcred expects to see a de-merger but trade was taken somewhat hy sur-

in NIE IN KEEPING with other privatisation issues, Northern Ireland Electricity (NIE) got off to a better than expected start, the shares opening at 125p, five to six points higher tban had generally been expected, according to senior marketmakers, and maintaining their early momentum. NIE is

panies to be privatised. The stock price quickly moved up to touch 130p, before settling at 1264p. Turnover in NIE, easily the highesl in the market yesterday, reached 51m

the last of the electricity com-

Dealers said the strong performance hy the shares reflected the recent good showthe stock market, particularly the power generators, which have recently been hitting all-time highs after announcing results above expectations and raising hopes of bumper

dividend payouts. The regional electricity companies have recently begun to announce preliminary results, the three companies reporting so far unveiling dividand increases of 14 to 15 per cent. There was evidence that some institutions, unable to

### **NEW HIGHS AND LOWS FOR 1993**

and sell their allocations. Others, however, were said to have been aggressive buyers of NIE, and determined to reach target weightings.

The first day premium on NIE is similar to those achieved by the water stocks, the "recs" and the power generators. The Scottish generators enjoyed much smaller initial premiums.

### Wellcome fears

The worst individual performance in the FT-SE 100 lodex came from Wellcome, whose shares fell 3.4 per cent after heing hit by a series of bearish developments. These included the cancella-

tion of a clinical study of one of its drugs, Flolan, which dragged down a share price already burdened by worries about litigation over Wellpress comment detailing criticism of Wellcome's berpes drug Zovirax. Another factor helping to depress the shares was a downgrading of the drugs sector by Kidder Pea-body, one of the leading US brokerages, last Friday night. Wellcome shares dropped to

702p at one point before stabilising and closing a net 25 down at 705p, the lowest clos-ing level since April 19. Turnover of 3.6m was well above usual levels of activity.

Commenting on the berrage of bad news, one leading analyst said: "The Flofan news is unhelpful hut not particularly bad, whila there is nothing new in the other stories."

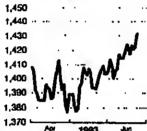
### Zeneca active

Both classes of Zeneca shares eased 4 to 618p, with activity concentrated in the "old" stock, where turnover reached 3.9m. The £1.3bn rights issue, at 600p a share, closed yesterday and the easier trend in the stock price was attri-buted to expectations that any stock not taken up by holders will be placed in the market by

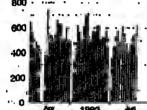
the brokers to the issue. Fisons, on the other hand, extended the recent outstanding performance, with the shares closing a net 5½ up at 177p after heavy turnover of 8.2m. Specialists attributed the spectacular outperformance of the stock - up from a low of 147p only a couple of weeks ago - to the recent approval of Tilade by the US authorities. Amersham jumped to 775p xd after the US Food and Drug Administration approved the company's Metastron drug.

### Reuters success

News that Reuters had reached its initial target of exe-culing an average 1,000 trades a day on its Dealing 2000-2 for-eign exchange trading system triggered a flurry of strong support as some analysts adopted the view that the new system has established clear marketing leadership within the lucrative forex market. Reuters rose 16 to 1347p on



### **Equity Shares Traded**



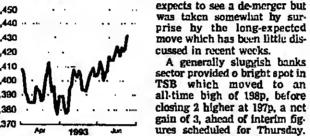
"We believe it is possible for Reuters to achieve a 10 per cent market share in forex, which is now a highly profitable growth market," said Mr Brian Newman, electronics analyst at Henderson Crosthwalte, the stockbroker.

The Henderson analysi said he believed Reuters had left the international opposition in forex dealings systems far behind. Volume carried out by Minex, controlled by a consortium of Japanese banks, was mostly sourced in Japan, while the start-up of the EBS system, run by a consortium including Telerate, had been delayed to September.

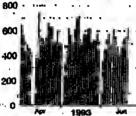
### Thorn strong

The market welcomed Thorn EMI's decision to sell its lighting husiness to Investcorp, a Bahrain international investment bank, for £162m, especially against the backround of an otherwise dull leisure sector. The shares gained 25 at 920p - the company's first break ever through 900p - as

1.3m shares changed hands. Traders saw the move as a step closer to Thorn's pre-sumed goal of discarding periferals to leave the company with two core businesses, music and rentals. Thorn has sold about 60 firms since 1987



TSB is the first of the clearing banks to report their half: yearly numbers, with Lloyds



increase in the interim diviturnover of almost 1m shares. Turnover in Brilish Sleel

A generally sluggish banks

the next to report at the end of

Analysts' Interim profits

forecasts extend from around

£50m to as high as £130m, compared with last time's £92m, with provisioning against bad

debts expected to show an

next month.

engine may be bigher than

expected.
Worries about overcapacity in European steel also burt ASW Holdings and the shares gave up 8 to 205p. Weekend press comment boosted Aerospace Engineering. The shares hardened 2 to 28p. Unconfirmed talk of a bruker's profit upgrading for BTR saw the shares advance 13 to 368p.

Grand Metropolitan moved up 14 to 426p, on 6.7m shares traded ahead of an aoalysts meeting. Analysts said the company continued to benefit from last week's brokers' advice to sell Guinucss in favour of Grand Met. Food manufacturers were mostly firm with Tate & Lyle

FINANCIAL TIMES EQUITY INDICES

# here 21 here 16 have 17 have 18 have 15 mm "High "Lose

Open 9.00 10.00 11.00 12.00 12.00 14.00 15.00 16.00 High Law 2251.8 2255.1 2257.0 2281.8 2268.3 2271.5 2273.7 2270.6 2273.4 2274.5 2251.3 June 18 June 17 June 16 June 15 Year ago June 21 30,592 34,631 1425.2 27,736 1158.3 25,150 1389 8

Landon report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rale. 48p at all other times.

### up 6 at 381p on news that a and now makes 82 per cent of

	June 21	700 19	JUNE 17	AUM 10	TIME 10"	ego.	_ Lage	w
Ordinary share	2214.4	2252.3	2248.5	2250.2	2250 3	1986.4	2299.5	2124.7
Ord. div. yield	4.07	4.11	4.12	4.11	4.12	4.65	4.52	4.07
Earning yid % foll	4.82	4.81	4.68	4.87	4.61	6.83	6.38	4.82
P/E ratio net	26.55	28.29	26.25	25.29	26.29	18.34	25.55	16.40
P/E ratio rd	24.56	24.45	24.45	24.40	24.46	17.01	24.56	18.14
	186.5	180.8	174.5	173.9	169.6	96.1	202.7	60.8
Build Mines "for 1985, Ordinary : Gold Mines Index of Bools Ordinary share	stare inde	ut since or detion high	134.7 1	high 2235 5/2/83- low	5 10/3/33	· low 49		

SEAG Burgaine
Equity Yurnaver(Exc)†
Equity Rangales†
Stores traded (rai)†
† Excluding intro-marie 29,390 1358.5 35,831 555.1 32,177 540.4 33,254 477.4

### **EQUITY FUTURES AND OPTIONS TRADING**

THE REDUCTION in interest rates in two European countries fuelled speculation of a similar move in the UK, leading to an advance in stock index futures, writes Joel Kibazo

On its first full day as market leader, the September contract on the FT-SE 100 opened at 2,896, well below Friday's strong finish. However, hopes

attracted buyers to the Sepsharply ahead. It not only active huying. The day's high established strong premiums of 2933 was recorded just after over the cash market but was inachtime. one of the main factors in pull-

ing the cash higher. While non-EC trade figures announcement shortly after

nf a cut in UK base rates mid day of a cut in interest rates in France and later Portember contract sending it tngal, that led to further active hnying. The day's high

Leading securities houses used the opportunity bargains to arbitrage between the cash released later were greeted and futures, a factor which favonrahly, it was the contributed to day's bigh

September closed at 2927 some 14 points above the fair value premlum to casb which now stands at 11 polois. Volume was a healthy 10,125 contracts.

Turnover in traded options remained uninspiring at 24,573. Brilish Sleel wblcb reported figures yesterday was the most active among stock options with a total of 27,540. strike at one of its American factories was over. Hillsdown, tbc poultry to upholstery group, bucked the market to finish the day off 5 at 136p United Biscuits, is still rid

the cluef suspect.

The sbares of hananas Importer Geest continued to now the subjext of an enquiry isbed down 10 at 344p.

Steve Thompson, Catherine Milton.

increase on the previous year's ■ Other statistics, Page 28 first half hut a fall on the second half figure. NatWest Securities is forecasting a 5 per cent

ing a bid rumour and finished up 8 at 408p. Once again Cadbury Schweppes was tipped as

silde on traders' nerves over the future of the European Community's banana regime by a panel of the General Agreement ou Tariffs and Trade (GATT). The stock fin-

**MARKET REPORTERS:** 

FT-SE 100 FT-A ALL-SHARE FT-SE MID 250 2903.4 +24.0 3218.5 +2.7 1431.49 +9.06 yield % age FT-SE 100 2879.4 3215.6 2675 7 3213 5 2863.0 3212.0 2550.3 2595.9 5.84 6.02 21.31 20.86 FT-SE Mad 250 FT-SE-A 350 1436.1 1637.38 1435 0 16J8.01 1437.7 1631 78 1247.4 FT-SE SmellCap ax inv Tructs 1644 33 1420.99 1643.76 1422.43 1646.57 +0.2 FT-A ALL-SHARE 1232.81 1423,44 Building Materials(2) Contracting, Construction(29) 955.08 950.86 2944.62 2786.90 2956 40 2792.91 Bectronics(37)
Engineering-Aerospace(7)
Engineering-General(51) 416.18 575.50 349.48 529.82 416 40 19 71 Metals & Metal Formiog(10 428.98 405.14 431.78 409 27 335.18 356 90 Motors(19) Other Industribis(18) 403.76 2103.08 2060 11 2051.61 2060.98 1761.75 1646.53 1643 60 1642,78 1636 18 1894.18 1303.09 1895.92 2122.57 1307.16. 1243.81 Breezs and Districts(30) 2122.57 25 Food Manufacturing(22) 25 Food Retailing(12) 1312.62 2951.98 2998.67 3473.26 3472.57 3460.11 1341.51 1985.35 852.31 29 Holets and Leisure(20) 30 Media(33) 1338.61 1331 61 1300 44 Packaging and Paper(24 849.01 845 47 804.71 34 Stores(39) 35 Yeathles(20) 1157.21 803.82 704.79 805.11 +01 804.27 799 44 46 CTHER MOUPS(142) 1492.81 1002.30 1573.97 1506.33 .89 1491.33 1499.18 1264.28 7.13 11.15 1591.61 1589.70 1413.80 1569.13 1574.48 1462.49 1411.06 1421.53 1296.18 Business Seni Chemicals(23) 1419.81 1411.91 44 Transport(15) 2928.41 2930.13 2915.58 2927.54 2559.95 24 80 1765.68 1713.08 1773.18 1782.64 45 Electricity (6) 1774.57 1305 25 1398.69 46 Telephone Hetworks/4) +09 1790.70 +0.3 3191.05 3260.46 3290.11 +2.3 2240.00 2247.24 2260.27 2291.52 2022.72 7.25 443 49 INDUSTRIAL GROOP(S01) 1455.98 +06 1446.89 1444.70 1447.75 1321.47 19.14 2556.29 59 "600" SHARE MOEXIGOR 1552,31 1539 69 1542 39 1390.18 3 88 AT PHANCIAL GROUP (B 1053.55 1049.31 1048.84 1050 99 736 01 62 Banks(9) +0.3 1448.17 1450.41 1459 29 929.42 377 32,30 65 Insurance (Life)(6) 2035.72 2025.63 2018.15 68 Insurance (Composi 648 59 858 55 649.61 641,33 542.60 665.39 878.14 855.04 492.41 673.15 675 79 846 56 246,61 69 Property(28) 874 83 875.80 877.78 871.95 27.31 377,47 376.11 376.42 4.41 22 65 1) Investment Youts(110) 1515.70 1515.42 1518.49 98 FT-A ALL-SHARE(800

FT-SE Actuaries Share Indices

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FT-SE 100	2873.9	2877.7	2879.5	2887.1	2894.1	2900.1	2902.4	2898.5	2902 2	2903.4	29736
FT-SE MM 250	3204S	3205.8	3206,7	3210.8	3213.9	3216.4	3211.0	3217 3	32167	3218.8	3204 5
FT-6E-A 356	1433.4	1435.0	1436.0	1439.2	1442.2	1444.B	1445 1	1444.2	1445.8	1446 3	1433 3

FT-SE	Actua	ries 3	50 Ind	ustry E	Basket:	3					Previous	
Bendy	Spen	9.00	79.60	11.00	12.80	1200	14.00	15.00	18.18	Close	close	thornge
Constres	1829.8	1820,7	1829,2	1631.3	1835.7	1830.2	1831.1	1827,8	1827,8	1827 B	1838.1	-10.3
Construct Houlth&H	1044.6	1043,1	1043.2	1043.5	10444	1045 3	1045.8	1038.0	1041.2	1040.7	10460	-5.3
Water	1302.5	1303.9	1308.8	1314.4	1313.3	1316.6	1316 9	1321.7	1323.2	1323.2	13196	+36
Barrios	1755.2	1756.0	1756.5	1758.6	1781.4	1765 9	1706.3	1765.2	1764 8	1765.1	1760.2	44.9

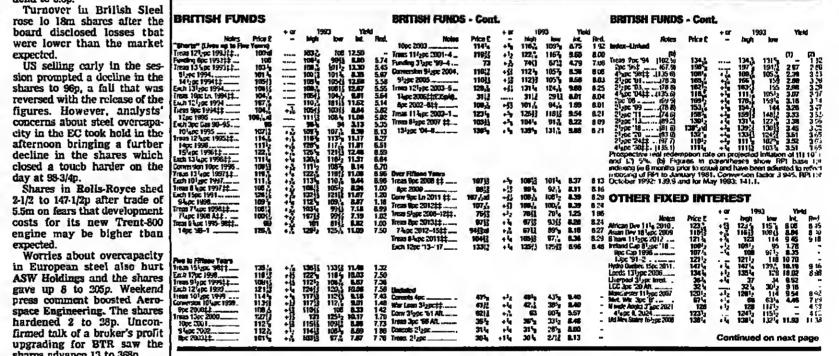
Additional Information on the FT-SE Administ Stem Indian in published in Saunday Insues. Less of constituents are aveilable from the Fnencial Towar Limited, One Southwark Bridge, London SET BHL. The FT-SE Administ Street Indians, is mediate by the Products relating to Bease Indians, is mediate from PRSTAT at the same address.

The increases in the size of the FT-Administ Advance Indians of 1980 means that it no FT S00 now contains more stocks, it has been renormed the FT "500", it Sector PIE relates greater than 50 are not shown. It values see negative.

The FT-SE DOI, the FT-SE Med 250 and the FT-SE Administ 350 indians are compared by the London Stock Exchange and the FT-SE Administration for the PI-Administration in the Indians of the United Administration in the Indians of the Indians are compared by the Phatchal Brines United by All Brights north-sed.

THIS SE and "Footble" are joint trade marks and swelce marks of the London Stock Exchange and the FT-SE Administration in the Indians are administration in the Indians and swelce marks of the London Stock Exchange and the FT-SE Administration in the Indians, Indians are accessed by the Indians and Indians are accessed by the Indians and Indians in access the Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the Indians and Indians and Indians and Indians are accessed by the Indians and Indians are accessed by the Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the Indians and Indians are accessed by the Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the Indians and Indians are accessed by the Indians and Indians and Indians are accessed by the

### **LONDON SHARE SERVICE**



### CROSSWORD

No.8,182 Set by HIGHLANDER

1 Slips into underwear (8)

5 Annoyed about Aphrodite's

son sppearing in circus (4) 6 Hector unavallable to get

ACFOSS I What's cooked for breakfast cootains key to fire on hill

2 State is wrong about extreme dislike (8) 3 Stop a question arising if part of content is obscure (6) (6)
4 Bloomlog reliable person, although not Oxbridge (8)
9 Unidirectional figure system (3-3)
10 Peer into magnificent island (8)

12 Fly responsible medical people to Andran capital (8) 13 Henry changed many first lines in sougbook (6) lines in songbook (6)

15 Overcharge man on board
for bird (4)

16 Big animal tax people cov
16 Chap cut out to make up

ered by mistake (7)

20 Ask for origin of bread and

17 Crack perch – die borribly cheese recipe (7)
21 Girl produces article on 18 Incorporates in hints about sodium (4)
25 Salbor tells fibs about cliff descent (6)
26 Put stop to a cheap building descent (6)
27 Salbor tells fibs about cliff descent (6)
28 Put stop to a cheap building descent (6)
29 Put stop to a cheap building descent (6)
20 Skip about to take a cheap sall (6)

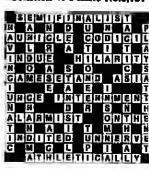
(8)
28 Old bomber surprisingly 23 Agree to rise for auditor (6) nimble carrying explosive 24 Soldier going over by night into battle (8)

29 Priocess made off with 27 He tells stories to get bar

crown (6) 30 Retail arrangement has line related to written matter (8)
31 Being sound of cat heard by

game going (5,3)
7 Not affected by one decoration (one in Paris) (6) set up (4)

Solution to Puzzle No.8.181



**JOTTER PAD** 

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**LONDON SHARE SERVICE AMERICANS** Price 299 198 198 136 136 75 PE 127 17d 62\*18 4.5 1.1 Mic Caples 14,888 327.9 4,888 327.9 54,858 23,759 1,650 1,65 228.3 3.06 17.0 0.70 352.8 1.504 Pilos 224 25 85 21 115 847 是是我的 1000年 168 26 111/2 25 78 | Prior | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 5 904 57 54 53 57 69 2 904 60 53 55 16 44 10 53 55 16 44 10 53 55 16 44 10 53 55 16 54 11 54 54 54 55 17 25 11 54 55 17 25 는 17 (2012) 등 보내는 나는 보내는 이 18 (2012) 등 18 (2012) 등 보내는 나는 보내는 이 18 (2012) 등 1 +7 2404 4094 1294 250 9 11 160 214 94 775 119 549 213 55 66 116dd 10d 1733; 118 414; 216 36 384; 216 36 322; 2833d 2233; 2833d 2233; 2833d 2434; 14736 386; 14736 386; 147 **BUSINESS SERVICES** Het Creft 1845 | 1974 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1.8 -9 -12-21 -1 ST Japan.

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**Money Market** 

**Money Market** 

**Trust Funds** 

### CURRENCIES, MONEY AND CAPITAL MARKETS

### **FOREIGN EXCHANGES**

# Dollar/DM at a 21-month high

consolidated Friday's powerful upward move against the D-Mark, touching its highest levels against the German currency since October 1991, before falling back amid profittaking, writes James Blitz.

There was no important news affecting the fortunes of the dollar in European or US trading yesterday. But, amid economic weakness in Germany and a serious political crisis in Japan, the dollar is being courted by institutional investors who believe the cur-rency's immediate prospects

are very strong. After closing on Friday in Europe at DM1.6800, the dollar moved up sharply in Monday's Asian trading, to peak at DM1.6953 at the start of European trading.

The currency later fell back against the D-Mark in Europe, partly pushed down by the figure for May's M3 money supply growth in Germany which was somewhat higher than had been expected.

Last week, at least two Bundesbank council members had led the market to believe that the May figure might fall within the Bundesbank's self-imposed target for M3 of

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	CURRENCY MOVEMENT

Jun 21	Bank of England Index	Morgan Guaranty Changes %
Senting US Doctor US Doctor Austrian Schilling Belgian Franc Danish Norte G-Main Sintes Sintes Franc Datin Guides Franc Lina Yen Persons	79.6 C5.6 94.7 112.9 114.1 116.5 122.2 111.4 117.6 103.6 82.5 174 2 80.4	-29.67 -12.50 -7.59 +15.17 +0.75 +10.84 +29.44 +19.77 +19.85 -7.38 -32.64 +116.43 -30.97

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Jun 21	2	\$
Argentina		0.9905 - 0.990
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(au⇔(5 <b>ii</b> i) _	1190.10 - 1309.30	
Cowalt	0.44700 - 0 44800	
والانشان	51.60 · 51.70	34.70 - 34.80
Maleyda	3.8430 - 3.8530	2.5060 · 2.596
Mexicu	4 6260 - 4 6260	3.1130 - 3.115
N.Zealand	27370 - 27410	1.8420 - 1.844
Saudi Ar	5.6695 · 5.5810	3.7495 3.750
Singapore	2.4350 - 2.4455	1.6480 - 1.648
S.Af (Cm) -	4 8770 - 4.8875	3.2850 · 3.267
SA FO _	6.9840 - 6.9990	4.7000 · 4.710
langan	38.40 - 38.55	25.85 - 25.95
JAE	5.4520 - 5.4650	3.6715 - 3.673

THE DOLLAR yesterday an annualised basis. In the event, the figure came in at an annualised 6.7 per cent, leading some market participants to think that the Bundesbank might not cut its repo rate this week, increasing the return on

D-Mark denominated invest-

ments The dollar closed at DM1.6890, up nearly a pfennig on the day.

Despite the setback, Mr Neil MacKinnon, head of currency research at Citibank in Londou, said that the current price action was similar to the dollar's in October of last year, after it had hit a historic low against the D-Mark. "That was followed by a 20 pfennig move upwards, and we could be on the verge of a similar move again," he said.

The dollar also rose against a yen that has been rocked by the political tremors enveloping Japan after Mr Kiichi Miyazawa's resignation as prime

Dealers pushed the yen down to Y111.10 to the dollar by the European close after it had traded at around Y110 on Fri-

day night. The Japanese currency remains well underpinned by the country's massive trade surplus although one dealer suggested yesterday that it could soon hit Y115.

The French franc softened slightly against the D-Mark yesterday after the Bank of France again cut official inter est rates. But the retracemen was marginal, and the French currency closed at FFr3.366 having penetrated this leve earlier in the day.

Sterling consolidated its strength against the weak D-Mark, closing unchanged at DM2.5125. But the currency weakened sharply against the powerful dollar, closing nearly a cent down yesterday at \$1.4875. If the trend continues it will undermine all though of a base rate cut this summer

		Ec Cant Plant	at Am	mency north net Etni ne 21	% Change from Cantral Rate	V3	Spread Wastest turning	Other	gance cagor
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apan	163.40 -	163.80	164.75 · 165 17.66 · 17.6	2.73	14-24 grads	-127	111	19m	-1.06
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determina	34 65 -	34.80	34.70 - 34.8	10	100-12.00cds	-2.60	29 00-31	1000	-357
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EMS EUROPEAN CURRENCY UNIT RATES

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ng time Eurodollers 3-5% per cent noo	the years 4,5- tiral, Short term	4å per cest; for sales are call to	e VS Dater and	per cent four ;	eacy big-gig pa offices, has dept	COST, fire yours salice.
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\$	0.672	1	1.689	111.1	5,674	1-502	1.884	1529	1.274	34.71	123.0	0.863
Det	0.300	D.592	1	85.78	3.360	0.339	1.121	905.3	0.754	20.55	78.40	0.517
YEN	6.050	9.002	15.20	1000.	51,06	13.52	17.05	13763	11.48	312.5	1162	7.762
F Ft.	1.184	1.762	2,976	195.8	10.	2.647	3.338	2695	2.244	<b>51.17</b>	227.4	1.520
S Ft.	0.447	0,666	1.124	73.96	3.778	1	1.261	1016	0.848	23.11	85.91	0.574
N FL	0.355	0.536	0.882	58.66	2.996	0 793	1 .	807.3	0.672	18.33	68.13	0.455
Lira	0.440	0.654	1,105	72.66	3.711	0.982	1.239	1000.	0.833	22.70	84.40	0.564
66	0.528	0.785	1.326	87.23	4.455	1.179	1.487	1201	1	27.25	101.3	0.677
B Fr.	1.836	2.801	4.865	320.0	16.35	4.327	5.456	4405	3.669	100.	371.7	2,484
Pts	0.521	0.775	1.309	86.09	4.397	1.164	1.468	1185	0.967	26.93	100	0.668
Eco	0.779	1,160	1.959	125.8	6.581	1,742	2.196	1773	1477	40.26	149.6	1.

### FINANCIAL FUTURES AND OPTIONS LIFFE LONG GILT PUTURES OFTIONS LIFFE ERING SIMES FRANC DETIONS SFR 1m builds of 100%

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9300	0.43	1,00	0.11	90.0
9325	0.27	0.79	0.20	0.10
9350	0.16	0.60	0.34	0.16
9375	0.08	0.43	0.52	0.24
9400	0.05	0.29	0.73	0.35
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Jun	93.87	93.88	93.83	93.76

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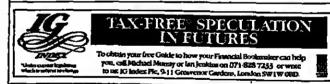
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**FUTURES PAGER** 

**MONEY MARKETS** 

# **Ignoring Germany**

SEVERAL European central side from 7.05 per cent to 6.85 banks took advantage of the D-Mark's weakness in the exchange rate mechanism yesterday and cut their official interest rates, writes Jomes

The Bundesbank has not cut any of its official interest rates for nearly six weeks. But, as the D-Mark comes under pressure because of Germany's growing economic and budgetary problems, European centrai banks have taken the opportunity to push short-term rates below German levels.

UK clearing bank base lending rate 6 per cent from January 26, 1993

By far the most important round of policy easing has been by the authorities in France, who must have been especially concerned by yesterday's news that French industrial production dropped 5.2 per cent in the year to

The Bank of France yesterday pushed its intervention rate below the level of the German discount rate floor, cutting it by 25 basts points to 7 per cent. The central bank's 5-10 day lending rate came down by a similar

amount to 8 per cent. The move helped to push French 3 month money down some 20 basis points on the hid assistance.

per cent. This in turn, widened the spread between German and French cash to some 50 basis points, as German rates remained more-or less unchanged Similar cuts occurred across

Europe yesterday. The Dutch and Belgian central banks trimmed their advances rate and central rate respectively hy 10 basis points to 6.90 per cent. The guilder had been threatening to fall outside the Dutch central bank's self-Imposed 50 hasia fluctuation band against the O-Mark in the ERM.

Portugal also cut lts intervention rate by 0.25 percentage points to 11 per

Dealers in sterling markets were rather more bullish about the prospects for a base rate cut in the UK following newspaper speculation at the weekend that Mr Kenneth Clarke, the new UK chancellor, would reduce base rates by 1/2 a

percentage point this summer. The September short sterling contract rose 10 basis points, to close at 94.19, on fairly heavy

In the cash market, 3 month money was about % per cent lower, at 5% per cent. This was despite some difficulty removing a £1.45bn shortage, which left some £310m of late

FT LONDON INTERBANK FIXING (11.00 a.m. June 21) 3 months US dollars bld 3/4 | offer 3/4 bid 31/2 The Briting rates are the arithmetic means rounded to the nearest one-stateenth, of the bid and offered rates for \$10m quoted to the market by fire raterance bards at \$1.00 a.m. such working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Gearanty Trust.

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### WORLD STOCK MARKETS

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# obliterate early equity gains

### **Wall Street**

After posting early gains on a technical rebound from last Friday's futures and options-related iosses, US share prices eased back from their highs amid continued uncertainty over the outlook for the economy and equities, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones industrial Average was 2.76 ahead at 3,497.53. The more broadly based Standard & Poor's 500 was 1.22 higher at 444,90, while the Amex composits was down 1.36 at 435.46, and the Nasdaq composite down 2.03 at 687.56 Trading volume on the NYSE was 119m shares by 1 pm, and rises outnumbered declines by 968 to 795.

Last week ended with a steep loss on the Dow, incurred because of selling linked to the monthly expiration of stock and stock index futures and options, an event known as "triple witching". Consequently, prices bounced back sharply at the opening yester-day in the traditional post-triple-witching rally, with the Dow gaining 16 points in the first few mioutes of trading.

Stocks, however, were uoahle to bold on to those gains, and by early afternoon prices were either unchanged on the day or, in the case of secondary issues. firmly anchored in negative territory. Uncertainty over the economic outlook, and the immediate future for stocks, was behind the markets' poor performance, although the Dow was especlally hard hit by a decline in Caterpillar shares following a profits warning from the hig

industrial company. Even a solid rise in bond prices - the benchmark 30-year bond was up almost half a point, and the yield down to 6.76 per ceot - failed to stimulate much interest in equities. Some analysts believe that the

subdued activity. Among individual stocks, Caterpillar stood out, falling more than \$5 to \$72 in hectic midday trading after the company warned that its non-US business was weakening. Later in the ssssion, however, the price rallied slightly, and by early afternoon the shares

tled into a narrow trading pat-

tern for the summer, and a pro-

longued period of relativaly

Tambrands jumped \$5% to \$45% in heavy trading on reports that the board is considering selling the company which, at the start of trading yesterday, had a market value of about \$1.8bn. One of the companies named as a possible buyer, Johnson & Johnson, saw

Its shares slide \$1/4 to \$42%.

were at \$73%, registering a fall

Nike plunged \$8% to \$58% as investors got the first real chance to react to Friday's news, announced after the market bad closed, that the sportswear maker expects its earnings for the year ending in May 1994 to fall significantly short of market expectations. The warning led to a series of ratings downgrades by Wall Street brokers, further pummelling the share price. Ree-bok, Nike's main rival in the competitive sportshoe market, fell \$1 to \$28% in sympathy.

TORONTO was mixed in quiet midday dealings, but paper and forestry issues gave the market some interest as the TSE 300 composite index edged up by 2.94 to 3.909.88 in turnover of

### **SOUTH AFRICA**

GOLD benefited from a weak commercial rand which offered a windfall to mines. while a softer financial rand gave an incentive to foreign buyers. Golds rose 57 to 1,750, industrials 3 to 4.659 and the overall index 29 to 4,011.

**ASIA PACIFIC** 

# Uncertainties Political uncertainty leaves Nikkei 3% weaker

POLITICAL uncertainty left share prices down 3 per cent and at their lowest level for four months, as reformists in the ruling Liberal Democratic party poised themselves to launch their own political groups, writes Emiko Terazono

The Nikkei average lost 592.11, the largest day's fall of the year, at 19,212.43. The index opened at the day's best of 19,742.40 and dropped to a low of 19,039.55 in afternoon trading on selling by foreign institutions and individuals.
Volume totalled 340m shares,

against Friday's 253m. Mr Yasuo Ueki at Nikko Securities said that apart from squaring of positions by short-term trad-ers, most investors remained on the sidelines. "People are not sure what to do," he added. Losers overwhelmed gainers by 1,044 to 52, with 81 issues nged. The Topix index of

all first section stocks declined for the sixth consecutive day, shedding 56.04 to 1,531.28, but in London the ISE/Nikkei 50

index edged up 0.61 to 1,174.62. Bonds and the yen were also weaker. The dollar closed Y3.08 higher at Y110.48, while the No 145 10-year benchmark bond fell 0.38 to 106.91. Mr Souichi Enkyo, an economist at Bank of Tokyo, said the risks of holding the yen would increase sharply until the Tokyo summit at the beginning of next

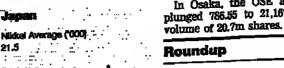
NTT, the benchmark for market sentiment, plunged Y79,000 to Y831,000. Margin traders, who faced additional margin requirements as the share price declined, were seen liquidating holdings. Receding hopes of credit eas-

ing due to the weaker dollar

pushed down large-capital

shares and financials. Nippon

Steel fell Y18 to Y362 while Industrial Bank of Japan lost



20.0

hardest hit, the sector falling 6.7 per cent. Nomura Securities lost Y90 to Y1,920 and Nikko Securities Y80 to Y960.

Some consumer electronics shares posted gains thanks to the dollar's strength. Sony put on Y50 at Y4,410 and TDK Y10 at Y3,750. However, heavy electricals weakened on profit-taking, Hitachi retreating Y33 to Y794 and Toshiba Y8 to Y688.

In Osaka, the OSE average plunged 786.55 to 21,167.54 in

A NUMBER of Pacific Rim markets took a lead from Tokyo. Jakarta and Kuala Lumpur were closed for public holidays.

HONG KONG slid by 2.7 per cent as the Sino-British Joint Llaison Group ended a first day of talks on the colony's future with no comment on progress. The Hang Seng index closed at the day's low, down 197.17 at 7,003.58.

Cheung Kong and its affiliate, Hutchison, met the strongest selling pressure, falling 80 cents and 70 cents to HK\$26.80 and HK\$20.50 respectively.
Semi-Tech added 40 cents at HK\$16 in spite of last Friday's

announcement that it will pay \$93m to settle a legal dispute.
AUSTRALIA's All Ordinaries index edged down 3.8 to 1,726.6 in a turnover of A\$183.5m.

Against the trend, News Corp rose afresh by 10 cents to A\$7.60 on reports that it will be a shareholder in the float of

the Seven Network. Advance Bank closed 4 cents lower at A\$8.05 after rumours that it might buy State Bank of New South Wales. Commonwealth Bank firmed 3 cents to

nd at A\$8.43. TAIWAN finished lower. across the board and the weighted index shed 40.53 to 4,074.37 in thin turnover of

Financial stocks were among the hardest hit, with Cathay Insurance down T\$8 to T\$156 and First Commercial Bank losing T\$2.50 to T\$142.

MANILA continued to consolidate, with much of the buying interest focused on new company issues. The composite index finished 3.95 softer at 1.573.91.

BOMBAY managed to erase much of an early sharp fall as state-owned financial institutions and mutual funds became

buyers lata in the day, The BSE index finished 7.30 down at 2,218.88.

The early decline was triggered by unsubstantiated rumours that Mr Harshad Mehta, the central figure in a \$1.28bn securities scandal would produce evidence in support his allegations that he paid Rp10m to Prime Minister

P.V. Narasimha Rao. KARACHI's pharmaceuticals rose on press reports of decontrol of medicine prices and financials gained on institupressed

peace pr

Call for German A.

topay upset by EC &

British Store.

PODOW ROALS

tional buying, as the KINK index gained 20.27 at 1.235.82 SEOUL gained ground in moderate trading, with buying focused on shares with low price-earnings ratios, financials and vehicle issues.

The composite index closed 5.86 stronger at 766.06. COLOMBO saw demand for banks as the CSE all-there index moved forward 19.75 to. 615.32 in a turnover of Ry68.2m. National Development Bank forged ahead Rs32.75 to Rs172:

# Interest rate manoeuvres lift Paris and Amsterdam

Paris and Amsterdam yesterday and, coming towards the close in Belgium, they ars expected to do the same for Brussels today, writss Our

PARIS got its ninth interest rate cut since mid-April and the CAC-40 index rose 18.88 to 1,929.17. In spite of some caution ahead of annual meetings due this week, dealers felt that most bad company news was

already in share prices. Volume was FFr2,94bn. Elf Aquitaine rose FFr10.50, or 2.8 per cent to FFr385.40 after losses last week. Pengeot, with a shareholders' meeting coming up this week, was also among the biggest winners with a gain of 2.5 per cent as it rose FFr13 to FFr530.

Other big wins included Credit Local de France, up FFr9 to FFr416. Rhône Poulenc A shares fell, by a token FF11 to FFr537, although the company said that it would sell its 35 per cent stake in Roussel Uclaf, its associated pharmaceutical company, for about FFr4.5bn. Roussel itself was suspended at FFr575.

AMSTERDAM picked up as the day progressed in response to lower interest rates and the firm dollar and the CBS Tendency index added 0.9 to 110.1. A 10-basis point cut to 6.90 per cent in the Dutch special advances rate came as little

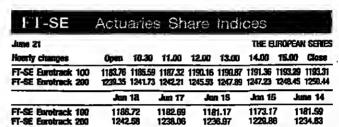
surpise to the market hut was seen as opening the way for a broader easing of official bank lending rates.

Royal Dutch hit a 12-month closing high of FI 175.90, up 20 cents, as early US demand triggered more widespread buying.

Currency considerations helped Unilever F13 higher to Fl 201.50 and Philips by 50 cents to FI 28.10. FRANKFURT ended the officlal session only slightly higher, the DAX index closing 2.92 higher at 1,689.82 but, said Mr Eckhard Frahm at Merck

Finck in Düsseldorf, it put on

another 8 points in the post



lication of a German M3 growth figure of 6.7 per cent for May after a revised 7 per cent for April. Analysts felt that the figure, at least, was

moving in the right direction. However, there were other features on the day. The strength of the dollar brought improvement to the cyclicals, BMW and Volkswagen rising DM6 to DM495, and DM5.40 to DM348 in carmakers and BASF by DM2.60 to DM237.80 in

In Bonn, the economics minister Mr Günter Rexrodt, said that Germany's corporate tax structure could be reformed

1181.17 1236.97 Base value 1000 (25/10/90) High/Sec. 100 - 1193.92; 200 - 1251.07 Loweley: 100 - 1183.76 200 - 1239.29. without a reduction in tax write-off allowances, opening the way for a compromise on the government's tax reform

> In Munich, Mr Edmund Stoiber, the new premier of Bavaria, said that he wants to push through the privatisation of state holdings, including that in the 58 per cent owned energy group Bayernwerk, as soon as possible. Viag, linked with Bayernwerk through cross-shareholdings, rose DM2.50 to DM362.50.

MILAN continued in volatile mood, again taking its lead from renewed falls for Ferruzzi

The Comit index shed 2.27 to

525.70. but Ferruzzi fell L60.40 or 9 per cent to L601.0 and Montedison dipped L45 to fix at. L894, before L865 after hours. Investors reacted sceptically to the appointments of Mr Guido Rossi as chairman of the two companies, and Mr Enrico Bondi as chief executive. There was also a view that the recovery in their share prices at the end of last week had been overdone. The renewed weakness spilled over into creditor banks. Credito Italiano fell L101 or 3.7 per cent to L2,597; BCI lost L174 or 3.3 per cent to

The re-emergence of market romours that Fiat planned an international alliance or major asset sale took the shares L212 ahead to fix at a day's high of L6,190 before they eased back to L6,100 on the kerb.

ZURICH took advantage of the strong dollar and shares ended at an all-time high. The SMI index rose 11.5 to 2,329.5. Nestlé reversed early small

losses to add SFr7 to SFr1,130 while Roche certificates rose SFr85 to SFr4.900.

VIENNA'S ATX index rose 9.1 to 848.09 in heavy trading. driven higher by strong gains in Creditanstalt preferred on rumours that the bank would publish improved first half results. Creditanstalt preferred gained Sch25 to Sch594, and were quoted higher still in the post bourse.
ISTANBUL closed at its

eighth record high this month. as the market index soared 679.6 or 6.5 per cent to 11,1404. The continued optimism fol lowed expectations that talks between the True Path Party and the Social Democrat Populist Party to establish a new coalition government could soon be finalised.

The market also welcomed weekend press reports that the Tansu Ciller, would insist on strict enforcement of economic measures, including rapid privatisation, to revitalise the

# Japanese equities lead the world lower

	*	change in loc		% change storing †	% change to US 3 1	
	1 Wesk	4 Works	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+1.06	+4.80	-10.12	+7,57	+5.22	+3.9
Belgium	+2.48	+1.29	+8.37	+11,74	+8.99	+7.6
Denmark	+2.40	+0.35	-2.25	+16.06	+16.60	+15.2
Fintand	-0.71	10.78	+51,30	+35,34	+27.36	+25.8
France	-0.42	+3.28	+1.50	+4,97	+3.98	+2.7
Germany	+0.06	+3.83	-5.73	+9.53	+6.86	+5.59
Ireland	+0.28	+3.21	+17.97	+30.79	+18.71	+17,30
Italy	+0.03	-4.51	+22.83	+25.99	+23.28	+21.8
Netherlands	+1.29	+4.38	+10.43	+13.48	+10.93	+5.6
Norway	+2.85	-0.72	-1.12	+13.18	+11.82	+10.49
Spain	+2.75	+4.09	+9.69	+24.46	+12.51	+11.1
Sweden	+0.52	-1.51	+19.24	+10.57	+5.00	+3.74
Switzerland	+0.39	+4.01	+23.03	+13.36	+12.05	+10.7
UK	+0.53	+234	+13.86	+2.77	+2.77	+1.50
EUROPE	+0.52	+2.36	+9.41	+6.19	+6.58	+5.3
Australia	+0.82	+2.42	+2.50	+9.24	+8.75	+7.4
Hong Kong	-1.13	+0.77	+19.44	+31,95	+33.64	+32.0
Japan	-4.11	-1.69	+29.08	+19.80	+38.49	+36.85
Malaysia	-2.39	+0.39	+44.66	+27.36	+31.18	+29.62
New Zealand	+0.40	+0.69	+7.10	+8,60	+15.86	+14.4
Singapore	-1.41	+0.47	+12.41	+17.27	+20.10	+18.66
Canada	+1.22	+0.90	+9.57	+11,82	+12.85	+11.5
USA	-0.79	-0.59	+10.94	+1.73	+2.96	+1.73
Mexico	+3.15	-1.52	+5.49	-9.55	-8.34	-9.43
South Africa	+0.77	-0.99	+7.76	+26.44	+33.69	+32.29
WORLD INDEX	-1.49	-0.19	+14.86	+9.20	+13.97	+12.6

### By William Cochrane

Tapanese equities ied the world lower last week, a 4.1 per cent drop in Tokyo ieaving the FT-Actnaries World Index 1.5 per cent down in local currency terms.

The fall was worse in terms of the dollar, at 7.0 per cent, as political and economic worries mounted and the yen, too, reversed its recent strength. However, this decline still left the market with a gain of 36.8 per cent in dollar terms this year, compared with a 19.8 per cent rise via the yen.

Last week's mounting politi-cal crisis in Japan culminated after hours on Friday when Mr Kiichi Miyazawa, the prims minister, was forced to dissolve the lower house of the Japanese parliament and call a snap general election after his humiliation in a no-confidence

Yesterday's further falls, however, also reflected more broadly based bearishness. On Thursday, Mr Nicholas Knight and his strategy team at Nomura in London, who called

the upturn in the market last year, reduced the Tokyo market to underweight.

The Nomura team are increasingly concerned that Tokyo has already entered its second consolidation phase. "This," they say, "could last the remainder of the year and see the Nikkei back below 18,000." The Nikkei's high this year was 21,076.00, less than three weeks ago. Mr Knight says that the yen

has been much stronger than his team originally anticipated, hitting exports, and with no offsetting cut in the discount rate; long bond yields have risen substantially; and, finally, he has been converted to the cause of the US equity market, forecasting that the Dow will break significantly above 4,000 later this year, compared with last Friday's 3,494.77.

In Europe, Spain performed well. In decline a week earlier, following the Socialist election victory, Madrid took heart at the prospect of stable govern-ment and at last Friday's hints of another cut in interest

DOLLAR INDEX

### *JF FLEDGELING JAPAN LIMITED*

Principal Objective: To achieve long-term capital appreciation tbrough investment in small & medium sized Japanese companies.

### **ANNUAL RESULTS TO 31ST MARCH 1993**



• Performance over 12 months to 31st Marc	h 1993
Net Asset Value Per Share	£1.84
Net Assets	£110.7m

NAV per share **TSE Second Section Index**  -11.4% +17.9% -10.9% +18.2%

### **Extracts from the** Chairman's Statement

"It is a very pleasant change to be able to report to shareholders during a period in which the Japanese stockmarket and the price and net asset value of your Company have risen in a sustained way following a severe three year bear market. Much of this improved market performance has occurred subsequent to the Company's year end but nevertheless the net asset value in the year to 31st March 1993 did show an increase in sterling terms due to favourable exchange rate movements, while the decline in yen terms has now been reversed by the strong performance in the year to date. We now believe that the bear market which lasted from November 1989 until August 1992 for smaller companies has come to an end.

The combination of falling interest rates, a build-up of institutional liquidity and aggressive government spending plans all underpin the market. We do not anticipate any signs of strain emerging for a considerable period. In fact, the deflationary pressures on the economy are still in evidence. A recovery in profits is clearly imminent as demand begins to recover and inventories come under control. However, profitability remains the key issue for the market, since much of the required

improvement will have to come from cost cutting rather than revenue growth. In both respects, smaller companies may be better placed than their larger rivals. As a result we are now more confident about your company's prospects than for some years."

P.A.F. Gifford Chairman 10th June 1993

For a copy of the Annual Report please contact either lardine Fleming 47th Floor, Jardine House. One Consught Place, Hong Kong, Attn: D.R.Howard, Tel: (852) 843 8888 Pax: (852) 524 8649

(Member of IMRO) 25 Copthall Avenue, London EC2R 7DR. Tel: (071) 638 5858 Fax: (071) 256 6817

FIRDGELING JAPAN LIMITED 31st March 1993

### In conjunction with tha institute of Actuaries and tha Faculty of Actuaries THURSDAY JUNE 17 1988

Harria mananana					_											
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Daffer Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1983 High	1983 Low	Yes agd (approx
Australia (68)	134.44	+0.1	133.24	92.89	117.43	132.18	+0.0	3.79	134.25	131,33	90.50	115.56	132.24	144.15	117,39	147.0
\ustria (18)	145.73	+0.0	144,42	100,69	127.28	126.28	+0.7	1,55	145.67	142.51	98.21	125,38	125.39	150.96	121.18	
Belgium (42)	143.47	1.0	142.19	99.12	125.31	122.07	+0.4	4.69	144.86	141.71	97.65	124.68	121.64	156.76	131.19	141.
Canada (108)	128.95	+0.8	127.79	89.09	112.62	119.05	+0.2	2.83	128.51	125.72	86.63	110,60	118.84	129.97	111.41	
	214.44	-1.0	212.52	148.16	187.30	187.53	+0.6	1.20	216.54	211.83	145.98	186.37	188.42	225.64	185,11	233.
Finland (23)	67.81	-23	86.82	60.53	78.52	103.41	-1.3	1.18	89.71	87.76	60.48	77,22	104,80	100.92	65.50	75.
rance (97)	151.20	-1.0	149.85	104,46	132.05	133.89	+0.4	3.37	152.71	149.40	102.95	131.43	133,31	167.36	142.72	160.
3ermany (62)	109.86	-1.8	108,87	75,91	95,95	96.95	-0.3	2.21	111.85	109.43	75.42	96,27	96.27	117.10	101.59	
Hong Kong (55)	292.57	+0.0	289.95	202,14	255,55	290.56	+0.1	3.24	292.45	286.10	197.16	251,72	290,41	301.61	218.82	
reland (15)	159.27	-0.9	157.84	110.04	139.11	154,18	+0.5	3.50	160.65	157.18	108.30	138.27	153.42	170,40	129.28	
taly (73)	66.84	+0.1	68.24	48,17	58.37	76.07	+1.4	2.05	66.74	65.29	44.99	57.44	74.99	72.82	53.78	69.
Japan (470)	143.73	-2.9	142.44	99,30	125.55	99.30	-0.5	0.84	147.97	144,75	99.75	127,37	99.75	155.98	100.75	
Valaysia (69)	338.91	+1.4	335.87	234,15	296.01	335.45	+1.5	201	334.18	326.87	225,24	287,57	330.46	349.34	251.66	
Mexico (18)			1479.11	1031.18	1303.58	5084.71	+1.7	1.33	1467.64	1435.77	989.41		5001.87		1410.30	
Netherland (24)	165.96	-0.9	184,47	114.66	144.96	142.63	+0.5	3.86	167.52	163.88	112.93	144.19	141,95	172.75	150.39	160.
New Zealand (13)	49,10	-0.2	48.66	33.93	42.89	48.12	+0.1	4.62	49.19	48.12	33.16	42.34	48.10	49.82	40.56	46.
Vorway (22)	152.1S	-1.7	150.79	105.12	132.89	146.32	-0.3	1.80	154,74	151.38	104.32	133.19	146.78	166.21	187.71	176
Singapore (38)	253.21	+1.4	250.94	174.94	221.16	189.15	+1.7	1.82	249.78	244.35	168.39	214.98	186.01	282.72	207.04	
South Africa (60)	195,92	+0.6	194.17	135.36	171.12	198.70	+0.2	2.54	194.82	190.59	131.34	167.68	198.33	201.01	144.72	
Spain (48)	129.63	+0.4	128.47	89.57	113.22	125.95	+1.6	4.70	129.15	126.34	97.07	111.18	123.91	132.82	115.23	155
Sweden (36)	171.76	-1.0	170.22	118.67	150.03	191.66	+0.1	1.76	173.52	159.75	116.98	149.35	191.50	184.06	149.70	
Switzerland (52)	125.12	-1.8	124.00	86.45	109.30	116.39	-0.1	1.87	127.09	124.33	85.69	109.40	116.50	129.36		191
Jaked Kingdom (219)	175.03	-1.1	173.46	120.92	152.86	173,48	+0.1	4.00	177.08	173.22	119.36	152.38	173.22		108.91	108
JSA (519)	181.19	-1.1	179.56	125.15	158.26	181.19	-1.1	2.82	183.15	179.17	123.48	157.64	183.15	181.99 186.27	162.00 175.38	192. 164.
Europe (762)	143.24	-1.1	141.96	98.97	125.12	135.08	+0.2	3.29	144.84	141.69	97.85	124.67	134,75	149.02	133.92	153.
Vordic (114)	161.18	-1.2	159.71	111.34	140.76	158.83	+0.0	1.57	163,09	159.54	109,94	140.37	158.77	171.77	142.13	176
ocific Basın (713)	147.88	-2.5	146.55	102.17	129.16	106.03	-0.4	1.11	151.64	148.35	102.23	130.52	106.41	159.07	105.89	104
uro-Pacific (1475)	145.87	-1.9	144.58	100.77	127,40	118.18	-0.1	1.99	148.74	145.51	100.27	128.01	118.33	154.05	117.26	
Vorth America (827)	177,92	-1.0	176.33	122,94	155,43	176.85	-1,0	2.83	179.74	175.84	121.19	154.73	178.77	182.38	171.51	124
urope Ex. UK (543)	123.61	-1.1	122.50	85.42	107.99	113.37	+0.3	2.80	124,95	122.24	84.25	107.57	113.02	129.85		181
18CIDC EX. Janon (747).	188.94	+0.4	167.24	130.56	165.04	174.75	+0,4	3.15	188.20	184.12	126.90	162.00	174,08	194.08	112.51	129.
NORO EX US (1661)	146.62	-1.8	145.30	101.31	128.06	120.33	-0.i	2.02	149.31	146.07	100.67	128.52	120.44		152.70	170
Works EX. UK (1961)	155,49	-1.8	154,10	107.44	135.83	135.71	-0.5	215	157.96	154.53	106.50			154.27	118.51	126
MONO EX. So. Af. (2120)	157.06	-1.5	155.65	108.52	137.19	138.64	-0.5	2.33	159.52			135,97	136.44	181.34	134.22	132
World Ex. Japan (1710)	166.20	-0.9	164.71	114.84	145.18	161.48	-0.5	299	167.74	156.05 164.10	107.55 113.09	137.51	139.29	162.74	137.29	137.
Then Wilestell L. C. Control	157.22	-1,5	155.81	108.63	137.33	139.14	-0.5	2.33	159.85			144.40	162.25	170.05	157.47	160.
								Limited		156,19	107.63	137.42	139,80	162.86	137.32	138.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited